

Final Audit Report

**Audit of the
Departmental Integrated Operational Planning Process**

March 2012

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Executive summary

The focus of this audit was the integrated operational planning process. The Clerk of the Privy Council has made integrated planning in the Public Service a renewal priority since 2007-08. Health Canada has published an annual *Departmental Operational Plan* since 2009-10 to outline the initiatives and activities that are planned for the fiscal year to meet the Department's goals and objectives.

The audit was conducted in accordance with the Treasury Board *Policy on Internal Audit* and the *International Standards for the Professional Practices of Internal Auditing*. Sufficient and appropriate procedures were performed and evidence gathered to support the audit conclusion.

Overall, Health Canada has a management control framework for the integrated operational planning process. The audit highlights a few areas where additional measures can be taken to continue to enhance the process.

While the yearly planning process is well governed, it would benefit from an internal policy to clearly define expectations and to make roles and responsibilities explicit in an effort to foster more timely attention from the branches. Currently the Chief Financial Officer Branch is reliant on branch planning teams, which often have other responsibilities, to account for the allocation of large budgets to key departmental activities.

There is also an opportunity for better integration of risk information into the process and the plan itself. Branches complete risk assessments while developing operational plans, which feed into the *Corporate Risk Profile*. However, mitigation strategies from the *Corporate Risk Profile* are not all carried forward to the *Departmental Operational Plan* as activities.

There is a good approach to integrating financial and non-financial information in the *Departmental Operational Plan*. Initial budget allocations were approved in February 2010, which provided a financial baseline. However budget transfers between branches were slow to occur. As a result, some branches had to cash manage well into the fiscal year and operate without confirmed expected deliverables. As well, including revenues in the planning process and in reported financial profiles will further improve operational planning.

Non-financial planning is streamlined for internal services - such as human resources (see the 2011-12 **Audit of Human Resources Planning**), information management/information technology (IM/IT) and facilities; this is called functional planning. Functional plans vary in maturity which impacts integration with operational planning. To further improve functional plans, the *Departmental Operational Plan* should outline how internal services will support programs.

Operational planning information is collected via the Integrated Planning and Performance Reporting System (IPPRS), which promotes uniformity in planning and results in a wealth of corporate information. However, IPPRS reports are lengthy and some contained inaccurate

data. As a departmental tool, the potential of IPPRS can be realized through concise and strategic reports designed for senior management.

Finally, there are numerous documents to guide branch planners in operational planning activities which are lengthy. Streamlined guidance should enhance the efficiency and effectiveness of the planning process.

1. Introduction

1.1 Background

Effective planning establishes the priorities for an organization and identifies the resources required to maximize the probability of achieving those priorities. Since the 2005 *Management, Resources, and Results Structure Policy*, federal departments are expected to manage and allocate resources to achieve strategic outcomes. This policy was introduced to support the modern comptrollership and Management Accountability Framework initiatives and shifted expectations on planning and reporting to parliamentarians.

The Clerk of the Privy Council has also set the stage for integrated planning, making it a Public Service renewal priority since 2007-08. In the 2010 report, the Clerk states: “done well, integrated planning allows us to clearly identify gaps in the resources required to deliver on priorities, and then to close the gaps by redesigning the work, developing employee capacity or devoting more staff to the effort.”

Health Canada has adopted an integrated operational planning process. Each year, a *Departmental Operational Plan* is developed based on the priorities and key branch activities identified in the *Report on Plans and Priorities*. Branches collect data in the IPPRS in a single coordinated process where they identify activities as well as supporting resources. Once approved by assistant deputy ministers, branch operational plans are analyzed to form a draft *Departmental Operational Plan*. The *Departmental Operational Plan* is then vetted and approved by senior management. Managers are expected to track activities, address variances, and report against program and service commitments. The

Departmental Operational Plan is an important mechanism through which the Department can demonstrate how it is achieving the goals and objectives in support of its mandate to maintain and improve the health of Canadians.

Departmental Operational Plan

- Outlines the initiatives and activities that are planned over the next fiscal year to meet Health Canada's goals and objectives.
- Presents information by strategic outcome and program activity.
- Identifies expected results and performance targets.

Operating context

In 2011-12, Health Canada had planned allocations of \$3.3 billion distributed between three strategic outcomes: \$350 million for a responsive health system; \$418 million for information and protection related to food, products, substances, environments, and healthy eating; and \$2.1 billion for First Nations and Inuit community health services. The allocations also include \$296 million for internal services and \$134 million for employee benefits programs. In addition, the Department projected generating \$129 million in revenues for services such as reviewing submissions for drugs and medical devices. In 2010-11, Health Canada employed over 10,000 full-time equivalents. The total expenditure for 2010-2011 was \$3.5 billion; approximately \$1.3 billion of this money was transferred out of the Department,

leaving a net expenditure of \$2.2 billion. The Department's total salaries and wages constitute \$924 million (approximately 45 percent of the net expenditure).

1.2 Audit objective

The objective of the audit was to assess the effectiveness of the management control framework for the Departmental Integrated Operational Planning Process.

1.3 Scope and approach

The audit examined the process and controls related to the operational planning process, starting with the 2010-11 planning cycle (see Appendix C). This included assessing whether functional (for example, accommodations, IM/IT) and strategic planning information is integrated in Health Canada's operational planning process. In addition, the audit examined how information from branch plans and the *Corporate Risk Profile* were captured in the Departmental Integrated Operational Planning Process. The audit did not assess planning activities outside of the annual departmental planning process.

The audit criteria were derived from the Treasury Board of Canada's *Audit Criteria Related to the Management Accountability Framework*, Health Canada's *Budget Management Framework* and other management control frameworks.

The audit was carried out across the Department and methodologies included: interviews, a review of records, documentation, policies, standards, guidelines, and frameworks and operational plans. In addition, an analysis was completed of the functional plans as well as planning templates in the Integrated Planning and Performance Reporting System.

The audit of Health Canada's Departmental Integrated Operational Planning Process was undertaken by the Audit and Accountability Bureau in accordance with the June 2012 annual update of the Health Canada Risk-Based Audit Plan for 2009-2010 to 2011-2012. The audit was conducted in accordance with the Government of Canada's *Policy on Internal Audit* and has examined sufficient, relevant evidence and obtained sufficient information and explanations to provide a reasonable level of assurance in support of the audit conclusion.

1.4 Statement of assurance

In the professional judgement of the Chief Audit Executive, sufficient and appropriate procedures were performed and evidence gathered to support the accuracy of the audit conclusion. The audit findings and conclusion are based on a comparison of the conditions that existed as of the date of the audit, against established criteria that were agreed upon with management. Further, the evidence was gathered in accordance with the *Internal Auditing Standards for the Government of Canada* and the *International Standards for the Professional Practice of Internal Auditing*.

2. Findings, recommendations and management responses

2.1 Governance

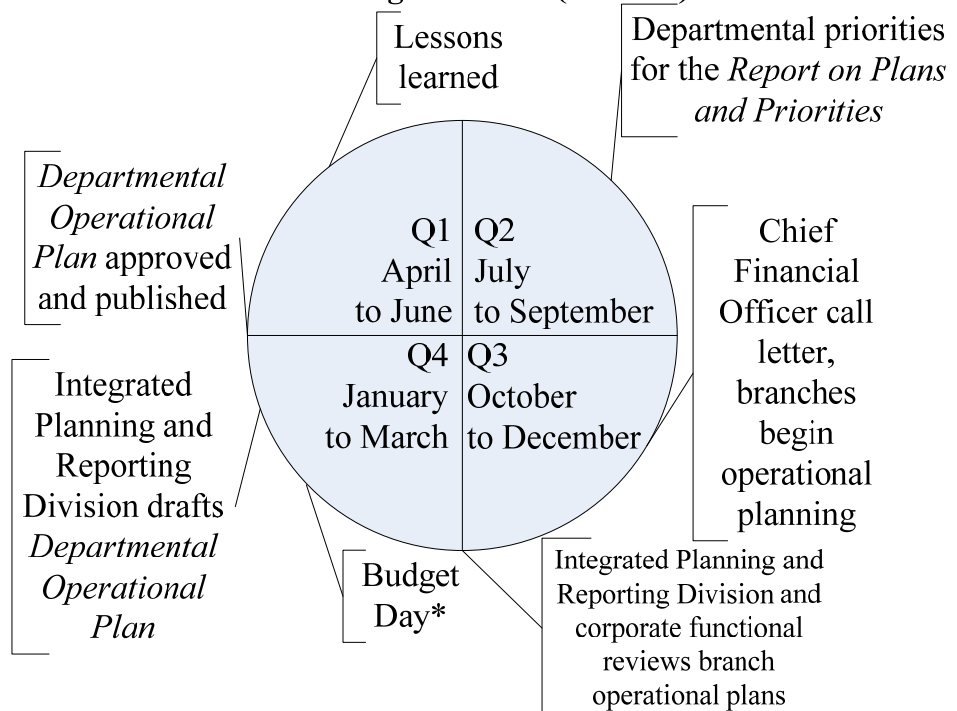
2.1.1 Planning cycle

Audit criterion: *The Department has in place an operational planning process aimed at achieving its strategic objectives.*

Operational planning supports the modern comptrollership and Management Accountability Framework initiatives. Health Canada has an *Integrated Planning and Reporting Framework* that lays the foundation for senior management to set departmental priorities and guide operations. The framework sets a common understanding of the various planning and reporting practices. One of the outputs of this framework is the annual *Departmental Operational Plan* which describes how financial and non-financial information is aligned to deliver on priorities and to meet strategic outcomes.

The annual Departmental Integrated Operational Planning Process follows a cycle of activities. In the summer, management meets to establish departmental priorities which are articulated in the *Report on Plans and Priorities*. The operational planning cycle begins in the third quarter with a call letter from the Chief Financial Officer. This letter calls for the development of branch operational plans, the main source of input for the *Departmental Operational Plan*.

Health Canada's Departmental Integrated Operational Planning Calendar (2011-12)



*Budget Day was introduced in 2011-12 and was not originally part of the planning calendar

In the fourth quarter of the fiscal year, the Integrated Planning and Reporting Division and other corporate functional leads, like human resources and performance measurement, perform a quality control review of branch operational plans, to address potential gaps. In the fourth quarter, there is a Budget Day meeting led by the Deputy Minister with members of the Executive Committee to discuss branch funding proposals in the context of corporate-wide priorities and to make

initial branch budget allocations. Then, branches are given one week to update branch operational plans and to obtain Assistant Deputy Minister approval.

Branch input, including expected results and performance targets, is aggregated to set the planning baseline for the operating year ahead. In the fourth quarter, the Integrated Planning and Reporting Division drafts the *Departmental Operational Plan* in collaboration with branch planners. The *Departmental Operational Plan* is then approved by senior management and should be published in the beginning of the first quarter. In the first quarter, an exercise for lessons learned is completed to highlight the strengths and opportunities for improvement for the next planning cycle.

The Department has produced a 2011-2012 *Departmental Operational Plan* that demonstrates the activities aimed at achieving strategic objectives. The plan contains information on planned departmental priorities; it also includes initial budget allocations, expected results, responsible branches and performance targets.

The corresponding planning activities that lead to the *Departmental Operational Plan* are outlined in a planning framework. While an operational plan was produced, it was not without some challenges. Evidence obtained shows that branches missed deadlines and functional decision making processes were not aligned with planning. Furthermore, performance targets were not used to support allocation and reallocation decisions and budget transfer agreements remained under negotiation at the beginning of the fiscal year. Finally, decisions related to the budget should be integrated with departmental operational planning and decisions should be documented. (These points are discussed in later sections of the report).

Currently the Department works within an operational planning framework. While it is practical and flexible, it is informal and its application is voluntary. Hence, it does not necessarily result in consistent application of key internal controls for the planning process. This is especially the case in the absence of a government-wide obligation to conduct operational planning.

Recommendation 1

It is recommended that the Chief Financial Officer develop a departmental operational planning policy which addresses:

- *roles and responsibilities;*
- *timelines for approval of branch plans;*
- *performance targets to support allocation and reallocation decisions;*
- *expectations for budget transfers; and*
- *integration of Budget Day decisions.*

Management response

Management agrees with this recommendation.

The Chief Financial Officer Branch will develop a departmental policy on departmental integrated operational planning that will be used to guide the 2014-15 planning process.

The policy will include requirements on: roles and responsibilities; timelines for approval of branch plans; performance targets to support allocation and reallocation decisions; expectations for budget transfers; and integration of Budget Day decisions.

2.1.2 Planning oversight

Audit criterion: *The Departmental Operational Plan is approved by senior management in the organization.*

The Executive Committee is Health Canada's central decision making body. It is chaired by the Deputy Minister and comprised of the Associate Deputy Minister, assistant deputy ministers and equivalents. The Committee is in charge of the strategic management of the Department's operational and corporate responsibilities.

The Department has a suitable governance structure for operational planning and the *Departmental Operational Plan*. The draft *Departmental Operational Plan* was presented to the Executive Committee in March 2011, re-tabled in July 2011 and approved in September 2011. Last year the Department approved the *Departmental Operational Plan* after the *Report on Plans and Priorities* was tabled in the House of Commons in June 2011. While the *Departmental Operational Plan* was approved by senior management, the Department would benefit from earlier approval (for example, March) and communication so that managers can begin to track activities and address variances at the beginning of the fiscal year thereby increasing the likelihood of meeting the approved program and service commitments.

2.1.3 Roles and responsibilities

Audit criterion: Roles and responsibilities are communicated and understood.

Roles and responsibilities for operational planning are outlined in three different documents, namely the *Health Canada Budget Management Framework* (2007), the *Health Canada Integrated Planning and Reporting Framework*, and the *Departmental Integrated Operational Planning Process 2011-2012 User Guide*.

Assistant deputy ministers are responsible to ensure their Branch is actively involved in the Departmental Integrated Operational Planning Process and to identify branch planning teams. They are also responsible for effective and efficient management of their respective branches and to promote sound planning and reporting practices.

The **Chief Financial Officer Branch's Integrated Planning and Reporting Division** leads Health Canada's annual planning and reporting cycle. Key outputs of the cycle include the *Report on Plans and Priorities*, the *Departmental Performance Report* and the *Departmental Operational Plan*. This division is also responsible for the Departmental Integrated Operational Planning Process, the administration of the Management, Resources and Results Structure.

Branch planners are responsible for the timely completion of branch operational and functional plans and obtaining Assistant Deputy Minister approval in early February. They coordinate planning activities within the Branch amongst functional experts. There are branch planners for internal service branches (for example, Corporate Service Branch and Chief Financial Officer Branch) and program branches (for example, First Nations and Inuit Health Branch and Health Products and Food Branch).

Branch planning teams consist of branch planners and branch functional area representatives (for example, branch senior financial officers, functional human resources leads, branch accommodation representative and public involvement representative).

Corporate functional area contacts provide guidance and training to the branch planning teams on functional plans (for example, human resources, accommodations, and public involvement). They also develop the functional summaries in the *Departmental Operational Plan*. They are situated in internal service branches.

The mandate of the **Executive Committee - Finance, Evaluation and Accountability** relates to financial management, management accountability, performance measurement and evaluation, and procurement and assets management. Members play a key role in the planning cycle in doing a rigorous review of the *Departmental Operational Plan*.

When comparing the various documents in which roles and responsibilities were outlined, inconsistent responsibilities were observed. For example, the Departmental Integrated Operational Planning Process is outlined as a responsibility of the Resource Management Division in the *Budget Management Framework*; however the audit team observed it was a responsibility of the Integrated Planning and Reporting Division. Furthermore, the

Departmental Integrated Operational Planning Process 2011-2012 User Guide identifies the Director General Internal Services Committee as a reviewer of the *Departmental Operational Plan*, and this responsibility is excluded from the *Budget Management Framework* and the *Integrated Planning and Reporting Framework*. Despite these inconsistencies, interviews revealed that roles and responsibilities are understood. (see recommendation 1)

2.2 Risk management

Audit criterion: *The Departmental Integrated Operational Planning Process integrates the results of the Corporate Risk Profile.*

In October 2010, branches identified risks as input for the 2011 *Corporate Risk Profile* and linked operational initiatives to 2010 *Corporate Risk Profile* risks. Program branches were instructed to complete one risk assessment for each program activity, whereas internal service branches were instructed to complete one for each priority and/or deliverable.

In January 2010, the Office of Integrated Risk Management performed a quality assurance review of risk assessments. The comments of the quality assurance review mostly related to a lack of clarity on risk management concepts (for example, the difference between a risk and a risk driver) and a need for greater branch quality assurance (for example, the same risk stated multiple times in a branch risk assessment). Results of the review were outlined in the 2011-12 *Departmental Operational Plan* and informed the development of new tools, guidance and training for the 2012-13 *Departmental Operational Plan*.

Branch planners received a list of risk and risk descriptions to complete branch risk assessments. The 2010 *Corporate Risk Profile* was provided to branch planners after branch operational plans were complete, therefore it could not be considered as input. A full corporate risk profile contains key information like the risk assessments and mitigation strategies approved by senior management, and should be provided to branches in time to complete their planning. The 2010 *Corporate Risk Profile* was provided to the Integrated Planning and Reporting Division in time to complete the *Departmental Operational Plan*.

To determine if the *Corporate Risk Profile* and the *Departmental Operational Plan* were integrated, the audit team assessed if mitigation strategies for the 3 highest ranking departmental risks (out of 10 risks in total) were carried over as initiatives in the *Departmental Operational Plan*. Approximately half of the assessed mitigation strategies were operationalized in the *Departmental Operational Plan*. For example, the communication and practice of lessons learned from past Health Canada responses to incidents such as the listeriosis outbreak, the H1N1 pandemic and the 2010 Vancouver Olympic Winter Games were excluded from the *Departmental Operational Plan*. This mitigation strategy was related to the top departmental risk from the 2010 *Corporate Risk Profile*, the risk of incident resulting in harm to the health of Canadians.

A review of the *Integrated Planning and Reporting Framework* and the *Integrated Risk Management Framework* revealed that both documents would benefit from specific instructions to include mitigation strategies into branch operational plans. As well, to

increase the effectiveness of quality assurance, the Office of Integrated Risk Management should review branch operational plans and the *Departmental Operational Plan*. As subject matter experts for risk management, the objective of the quality assurance review should be to determine whether all mitigation strategies are integrated and to provide feedback if required. The integration of mitigation strategies as activities in the *Departmental Operational Plan* would support the Department in managing its corporate risks.

Recommendation 2

It is recommended that the Chief Financial Officer, in collaboration with other assistant deputy ministers, integrate mitigation strategies from the Corporate Risk Profile as activities in the branch and departmental operational plans.

Management response

Management agrees with this recommendation.

For the 2012-13 planning process, the Chief Financial Officer Branch included additional emphasis on ensuring that branch planners use the *Corporate Risk Profile* as a source for planned activities to inform their 2012-2013 operational plans in the planning guideline. The *Corporate Risk Profile* was promoted as a planning tool and will be built into the regular challenge function that the Chief Financial Officer Branch provides as part of the planning process.

2.3 Internal controls

2.3.1 Planning integration

Audit criterion: *The Departmental Integrated Operational Planning Process incorporates branch and functional level detailed plans.*

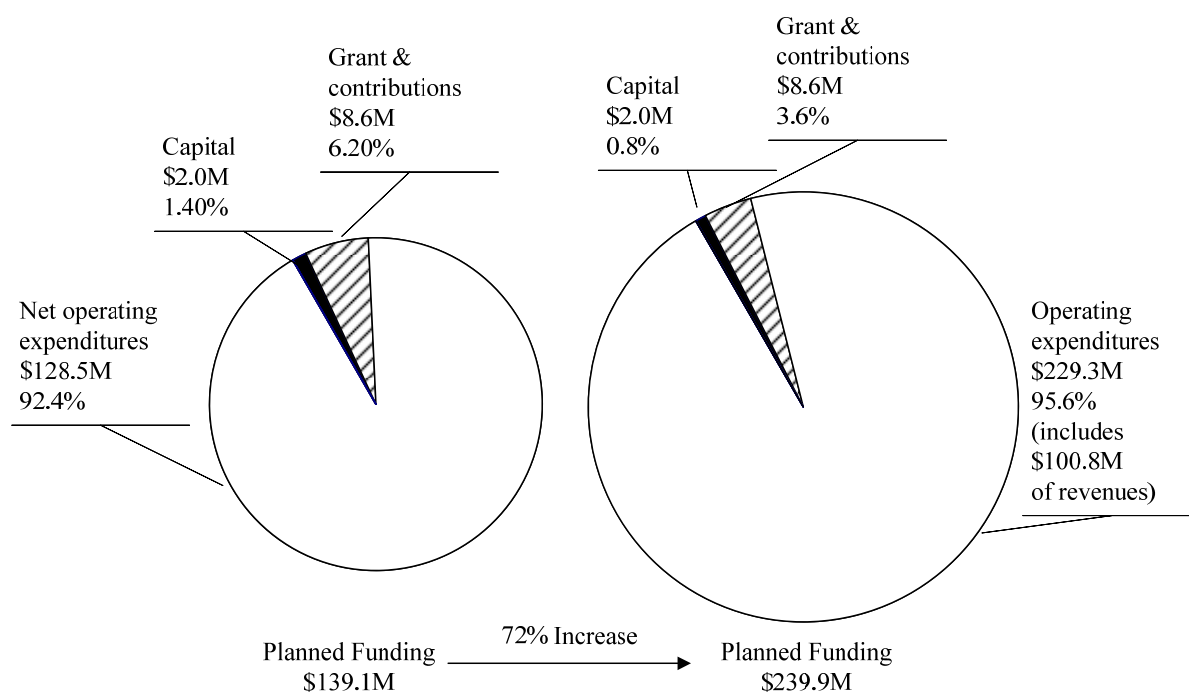
Integrated planning occurs at two levels in Health Canada. The first level is when departmental priorities are identified in the *Report on Plan and Priorities* through strategic planning and the second level is the *Departmental Operational Plan* which demonstrates how financial and non-financial information are aligned to support departmental priorities and ongoing operations.

Financial information

The *Departmental Operational Plan* presents the departmental spending profile by organizational structure and by strategic outcomes. It also presents funding profiles by program activity which presents net operating expenditures, that is, salary and operating expenditures minus revenues. While the *Departmental Operational Plan* reports revenues for the whole Department, the inclusion of revenues in the funding profiles of revenue-generating program activities would provide the Department with more complete financial information at the program activity level. For example, the 2011-12 funding profile for health

products presented net operating expenditures of \$129M, whereas it would be more informative to report \$129M of expenditures and \$100M of respendable revenue, totalling \$229M. Consequently, if the financial information for last fiscal year had been reported in this manner, it would have shown a 72 percent increase in the health products spending profile.

Health product program activity



The inclusion of revenues in program activity profiles would provide more transparent information on annual spending to achieve departmental objectives. As the Department is positioned to generate additional revenues going forward, this will become a more important source of funds to consider for operational planning purposes.

Recommendation 3

It is recommended that the Chief Financial Officer include spendable revenues in the Departmental Integrated Operational Planning Process and in the program activity financial profiles of the Departmental Operational Plan.

Management response

Management agrees with this recommendation.

In fact, revenues have already been included for the 2012-13 Departmental Integrated Operational Planning Process and in the program activity financial profiles of the *Departmental Operational Plan*. This practice will continue for future years.

Non-financial information

For the 2011-12 *Departmental Operational Plan*, non-financial planning was comprised of business planning and functional planning. Functional planning included human resources, performance measurement, risk management, assets and acquired services, information management/information technology, public involvement, facilities and the Federal Sustainable Development Strategy. This approach streamlined various departmental planning processes and eliminated duplicate information requests from internal services to program branches. The results of functional planning are presented in the operational plan section of the *Departmental Operational Plan* and/or in functional summaries.

All functional plans were reviewed to determine if internal service branches made use of the information received from program branches to plan required levels of effort. Some areas of functional planning like performance management and the Federal Sustainable Development Strategy were fully integrated: the information requested from program branches was fully utilized, analyzed and the results were incorporated in the *Departmental Operational Plan*.

Other areas of functional planning would benefit from further integration by aligning the timing of decision making with the planning processes. For example, the templates for information management/information technology planning asked branches to indicate new system requests and to provide information on systems under development. While branches were asked to complete operational planning in February 2011, decisions to fund systems were only made in May 2011.

In 2011-12, Health Canada developed its first investment plan, in anticipation of the 2012 mandatory application of the new Treasury Board *Policy on Investment Planning – Assets and Acquired Services*. Investment planning promotes the management of projects and investments according to priorities and strategic objectives. For the upcoming planning cycle, it is expected that the investment planning process will be integrated and evidence was found that the Department has already taken steps to begin integration.

The Departmental Integrated Operational Planning Process is missing instructions for internal service branches to demonstrate in their “own plans” on how they will support other branches. Some functional areas, like human resources, did include supporting branch specific deliverables in the internal service section of the *Departmental Operational Plan*; however, further planning occurred after the completion of the *Departmental Operational Plan*. Similarly, other functional areas like assets and acquired services and public involvement also conducted planning after the completion of the annual process.

The results of functional planning are presented in functional summaries at the end of the *Departmental Operational Plan*; they are also presented in operational plans for internal services, which are more rigorous planning tools as they include responsible branches, expected outputs, performance indicators and targets. However, some internal services were only outlined in functional summaries at the end of the report and were missing from the operational plan for internal services. For example, the use of a Director General Committee on Laboratory Infrastructure Renewal and planned funding for improvements to the Longueuil laboratory building of \$4.9M were excluded from the operational plan for internal services. The Integrated Planning and Reporting Division was not prescriptive on how to present functional information. The *Departmental Operational Plan* would be strengthened by demonstrating how internal service branches support program branches in operational plans.

The Departmental Integrated Operational Planning Process includes branch and functional planning for both program and internal service branches. Some areas of functional planning, like investment planning and information management/information technology, can be better integrated by aligning decision making with the planning processes. As such, last year’s *Departmental Operational Plan* provides only a partial description of how financial and non-financial information supports operations. The *Departmental Operational Plan* could be further strengthened by updating the planning guidance to give specific direction to internal services to document how they will support the branches throughout the fiscal year. (see recommendation 5)

2.3.2 Resource allocation

Audit criterion: *Resources are allocated to planned activities.*

In 2006, the Office of the Auditor General of Canada reported on *Allocating Funds to Regulatory Programs* at Health Canada. Partly as a result of the findings of the audit, a departmental integrated operational planning process was launched and includes program objectives, measurable targets and indicators in branch operational plans. The Department also introduced a *Budget Management Framework*, as there were recommendations related to financial resource allocation. This included using operational plans to make financial resource allocation and reallocation decisions. These decisions should be based on measured results of targets and they should be documented.

The Chief Financial Officer Branch works continuously with branches to determine the initial budget allocation. Each branch has a dedicated senior financial officer from the Chief Financial Officer Branch to review financial information in branch operational plans and to provide financial advice to branches.

The Department convened Budget Day in February 2011 to discuss the initial budget allocation for the following fiscal year. It was the first time the Department held a Budget Day exercise therefore it was not integrated with the Departmental Integrated Operational Planning Process. Draft branch operational plans were to be completed for this meeting in support of funding requests. Budget Day is a good initiative to align budget allocations and operational plans to departmental priorities. Initial budget allocations were developed in February 2011; this is a considerable accomplishment and a solid baseline which will benefit from the proposed improvements.

Most program branches indicated that Budget Day had no impact on their allocations or branch operational plans. There was a recommendation in the 2006 Office of the Auditor General audit to make resource allocation and reallocation decisions based on measured results of targets. There was no performance information related to the *Departmental Operational Plan* targets that were tabled at Budget Day to support allocation and subsequent reallocation decisions. The Department would benefit from having an assessment of progress towards performance targets to support decisions to allocate and reallocate funds.

The Department would also benefit from clear documentation of Budget Day decisions. The first Budget Day meeting was held in 2011 and steps have already been taken to integrate Budget Day in the 2012-13 process. (see recommendation 1)

Budget transfer agreements

The *Budget Management Framework* includes directions for branch transfer agreements, which occur after the annual reference level update. This is an annual process where program branches transfer funds to regions for service delivery. The timely negotiations of transfer agreements prior to the beginning of the fiscal year is of particular importance for the Regions and Programs Branch, which relies on funding from the Health Products and Food Branch, the Healthy Environment and Consumer Safety Branch, and the Pest Management Regulatory Agency.

In 2011-12, branches missed the deadlines and the sequence that are prescribed in the *Budget Management Framework*. All budget transfer agreements with the Regions and Programs Branch were signed in the second quarter of the fiscal year rather than prior to the commencement of the fiscal year. This delay prevents cost centre managers from making commitments until the second quarter of the fiscal year and reduces service delivery levels.

The delays in budget transfer agreements also impact branch planning. As a result, information collected for the departmental funding profile in the *Departmental Operational Plan* presents initial budget allocations, whereas it should include branch budgetary transfers to provide a more accurate financial planning baseline. For example, the funding profile of the Regions and Programs Branch changed significantly from an initial allocation of \$220M to \$320M when considering transfers from other branches, a 45 percent increase. While it is expected that budget reallocations will occur in-year, timely negotiations of transfers will further improve planning assumptions for branches like the Regions and Programs Branch. (see recommendation 1)

Financial resource allocation

The financial resource allocation exercise involves consultations with branch senior financial officers, who provide financial advice to assistant deputy ministers. Financial resource allocation discussions also occur at Budget Day in February and at Executive Committee meetings. Most stakeholders were consulted for financial resource allocations. The Department would benefit from consultations with human resources officials for more complete advice on resource allocation and reallocation, specifically as it relates to the time required to complete staffing or recruitment processes. In the spirit of planning integration, it is important to go beyond simultaneous planning activities and engage stakeholders in key activities like resource allocations. The senior executive responsible for human resources, the Assistant Deputy Minister, Corporate Services Branch, participated in Budget Day; however it would be beneficial to engage human resources officials earlier in the planning process to help branches develop funding scenarios for consideration at Budget Day.

Overall, resources are allocated to planned activities in the *Departmental Operational Plan*. While this is an achievement, allocations can be further improved by negotiating timely budget transfer agreements, presenting performance target results to inform allocation and reallocation decisions, integrating Budget Day with operational planning and documenting Budget Day decisions. The resource allocations presented in the *Departmental Operational Plan* will present more accurate planned departmental expenditures. These recommended improvements to allocations should be addressed in the *Departmental Operational Planning Policy*. (see recommendation 1)

2.3.3 Planning requirements

Audit criterion: Branch planning activities meet the requirements of the *Departmental Integrated Operational Planning Process*.

The planning practices of the Departmental Integrated Operational Planning Process are outlined in various documents. This includes the identification of branch planners to work in close collaboration with the Integrated Planning and Reporting Division and to support the Branch's management in: facilitating timely discussions on operational needs and priorities with functional areas; and developing branch operational plans. Branches have implemented most of these practices. However, there is room for improvement in other key operational planning activities in support of effective operational planning.

Planning methodology

The Chief Financial Officer Branch developed the *Integrated Planning and Reporting Framework* which outlines the corporate departmental planning approach, including operational planning. The framework indicates that assistant deputy ministers are responsible for sound operational planning. The Chief Financial Officer Branch also published the *Departmental Integrated Operational Planning Process 2011-2012 User Guide* which provides detailed illustrations of the Departmental Integrated Operational Planning Process. The Department collects standard operational planning information from each branch via the Integrated Planning and Performance Reporting System (IPPRS).

Although various guidance documents are published, there is little direction on the operational planning methodology to be employed at the branch level. According to the *Integrated Planning and Reporting Framework*, the development of an operational planning methodology is the responsibility of assistant deputy ministers. Some branches have developed sound planning frameworks and the rigour of their planning is more consistent than branches that plan without having a methodology. For example, the Healthy Environments and Consumer Safety Branch has developed a strong planning methodology and planning occurs at the directorate level. The First Nations and Inuit Health Branch has also started to strengthen its planning activities. Other branches do not have methodologies and produced branch operational plans of lesser quality, some of which were never approved.

The quality of branch planning information varies based on the maturity of planning activities. While it is important for branches to have planning methodologies customized to individual needs, a departmental guideline outlining minimum key activities will improve the quality of information used to produce the *Departmental Operational Plan*. The Department would benefit from developing a common departmental methodology for branch operational planning. Overall, branch planning activities meet the guidance for the Departmental Integrated Operational Planning Process. Existing practices can be strengthened using a strengthened common operational planning methodology, which can be outlined in the departmental guideline on operational planning. (see recommendation 5)

2.3.4 Tools and guidance

Audit criterion: *Tools and guidance are provided to support the Departmental Integrated Operational Planning Process.*

The Integrated Planning and Reporting Division—as part of its leadership role for the Departmental Integrated Operational Planning Process—developed tools and guidance documents to support branch planners. Guidance was also issued by functional area leads on topics such as human resources, information technology and others. All documentation, user guides and other relevant material are accessible electronically.

Planning tools

Tools and systems are available to develop branch operational plans. The IPPRS was first used within the Healthy Environments and Consumer Safety Branch and adopted in 2011-12 as a departmental tool. It is a business intelligence tool for branch operational plans and departmental aggregation.

Branch operational plans form the basis of the *Departmental Operational Plan*. Their approval by assistant deputy ministers is a key internal control in the Departmental Integrated Operational Planning Process. There was an absence of controls in IPPRS to save versions of the 2011-12 plans. As a result, only current versions of branch plans are available for consultation, and there was no historical record of 2011-12 plans approved by assistant deputy ministers. According to the *Policy on Information Management*, decisions that account for and support the continuity of departmental operations are to be documented to allow for independent evaluation, audit and review. This includes final versions of branch operational plans.

The business implementation plan of IPPRS resulted in less than optimal support of the Departmental Integrated Operational Planning Process. Departmental planning officials indicated that practices and templates in IPPRS were constantly changing. Furthermore, IPPRS generated branch reports that were too lengthy for review by the assistant deputy ministers. For example, the IPPRS section dedicated to growth in full-time equivalents generated reports that were approximately 100 pages for each branch. In addition, IPPRS generated reports with erroneous outputs. For example, the audit team generated reports on branch risks which contained mismatched information or no information. The errors were fixed; however there continues to be a risk that the IPPRS reporting tool may produce inaccurate information.

In August 2011, the Integrated Planning and Reporting Division developed a project charter for IPPRS. The project charter includes activities related to modifications to the design of most templates, client testing and acceptance, system performance enhancements and department wide training. Overall, an automated planning tool, if well managed and supported by senior management, could provide an opportunity to advance the maturity of planning within the Department and to integrate resource allocation activities.

Recommendation 4

It is recommended that the Chief Financial Officer improve the accuracy and reporting capabilities of the Integrated Planning and Performance Reporting System.

Management response

Management agrees with this recommendation.

In keeping with the continuous improvement approach used for the management of the Departmental Integrated Operational Planning Process, reporting options were provided to branches for 2012-13 to prepare both summary level and detailed reports for review by the assistant deputy ministers. As well, a Budget Day Tool and investment planning data requirements and reports were incorporated into the Integrated Planning and Performance Reporting System.

Further enhancements will be identified in a roadmap document that will present a “way forward” for a departmental integrated planning solution that meets the information needs of senior management.

Guidance

Operational planning guidance is another tool used by the Department to achieve efficient and effective operational planning. The objective of user guides, provided by the Integrated Planning and Reporting Division and the functional area leads, are to orient branch and functional planners regarding integrated planning practice including the coordination of branch and functional planning information at the corporate level.

For the 2011-12 planning process, there were 43 documents available to branch planners for consultation and each document contains, on average, 16 pages. The number and length of these documents requires extensive reading which makes research time consuming. Most branch planners are also responsible for other duties in addition to branch planning. As a result, branch planners would benefit from streamlined guidance which focuses on a standard common planning methodology which would support a more timely delivery of branch plans.

Despite the volume of available guidance, it was noted that there was guidance missing that would direct internal service branches to integrate their services with the program branches in order to demonstrate how they will be supporting the program branches throughout the fiscal year. As a result, the *Departmental Operational Plan* is missing specific information on how internal service branches support program branches in the delivery of program priorities. Planning for these priorities is carried out with varying levels of rigor from one branch to another which affects the quality of the planning data. The quality of planning data is also compromised by using incomplete planning templates, some of which exclude baseline information on existing resources.

Recommendation 5

It is recommended that the Chief Financial Officer review and update guidance to:

- *reduce the number of documents;*
- *include instructions for internal service branches to demonstrate in their own branch plans how they will support program branches;*
- *include minimum key standard planning criteria; and*
- *encourage the use of baseline information on existing resources for planning activities.*

Management response

Management agrees with this recommendation.

The Chief Financial Officer Branch, in consultation with stakeholders, will revise existing guidance on operational planning to complement the departmental policy that will be implemented for the 2014-15 planning process.

The revised and streamlined guidance will address: reducing the number of documents; instructions for internal service branches to demonstrate in their own plans how they will support program branches; minimum key standard planning criteria; and encourage the use of baseline information on existing resources for planning activities.

2.3.5 Information for decision making

Audit criterion: Senior management receives timely, complete and accurate information to support planning decisions.

In the fourth quarter of each fiscal year, branch planners submit approved branch operational plans to the Integrated Planning and Reporting Division through the IPPRS. The Division aggregates and analyzes the branch planning information and develops the draft *Departmental Operational Plan*.

Timeliness

For the 2011-12 planning year, approved branch operational plans were due on February 11, 2011. Most branches missed that deadline. Furthermore, there was a 50 percent increase in late approvals over the previous year. As a result, the Integrated Planning and Reporting Division began drafting the *Departmental Operational Plan* without all the information creating inefficiencies in the process.

Completeness

Branch operational plans and the *Departmental Operational Plan* demonstrate how financial and non-financial information support departmental operations. Through the integration of functional and operational planning, senior management is provided with fairly comprehensive information on departmental operations. There is room to improve the information regarding finance, accommodation, information management and information technology.

Some functional templates were designed mostly to request information for the internal service branches and excluded key information that program branches need for effective functional planning. For example, the accommodation template was limited to projecting increases in full-time equivalents. The template was missing complete information on space allocation, space utilization and full-time equivalent baselines and that information was excluded from the branch operational plans. As a result, the *Departmental Operational Plan* has incomplete information on how accommodations are aligned to support operations. (see recommendation 5)

The information technology information in the branch operational plans is limited to requesting new system and systems under development. It would be useful to expand information management and information technology planning to other areas like existing systems and non-system requirements such as information management. In 2012-13, planning for most new systems will be completed in the context of investment planning. Once the investment plan is integrated it should provide for a more complete *Departmental Operational Plan*.

The Department would gain from more timely approvals, completeness of internal services planning templates, earlier integration of internal services, and more accurate IPPRS information. These improvements will increase the overall completeness and quality of the information in the plan allowing it to be used for performance management.

2.3.6 Monitoring planned results

Audit criterion: *Senior management monitors actual performance against planned results and adjusts as required.*

The Departmental Integrated Operational Planning Process requires branches to identify performance indicators and targets for each activity. The Integrated Planning and Reporting Division is mandated to follow-up on planned activities. In 2010-11, the Integrated Planning and Reporting Division measured progress against established performance targets using a self-assessment approach and provided senior management with progress reports at mid-year and year end. Once captured, the performance information is converted to a dashboard format at the departmental level.

While the Integrated Planning and Reporting Division collects progress information against operational planning performance targets, it would be useful to examine the quality assurance process to strengthen the quality of mid-year performance information. During the 2010-11 mid-year review, information was provided to senior management regarding issues hindering a branch's ability to achieve departmental priorities. Some of these concerns were excluded from the departmental mid-year report, such as delays in budget transfers to the Regions and Programs Branch.

Performance assessments are reported to senior management at mid-year and year end. However, the performance assessments are not supported by results of performance targets and there is no instruction for branches to substantiate assessments. There is a missed opportunity to ask management to provide the measurement of performance targets at the mid-year and at year end in support of the assessment. Senior management monitors performance against planned results through the Departmental Integrated Operational Planning Process.

3. Conclusion

Health Canada is into its third year of publishing an integrated operational plan and, in that short period of time, the Department has been able to automate and advance the practice of integrated operational planning. The current governance framework for departmental integrated operational planning provides good senior management oversight and will be further strengthened with a policy outlining mandatory planning activities and key roles and responsibilities.

There are efforts to use risk information in operational planning and the audit highlights some areas where greater coordination is possible, such as including all mitigation strategies in operational plans.

Initial budget allocations were developed before the beginning of the fiscal year and branches were made aware of these allocations. However, certain branches are still required to “cash manage” their businesses well into the fiscal year as they wait for other branches to transfer funds. This also makes it difficult to those branches to realize their program or service commitments outlined in the operational plan. Although the *Departmental Operational Plan* presents financial information, it would be more complete if it included revenues.

For non-financial information, the Department has a streamlined approach to integrate various types of functional planning (for example, accommodations and human resources). There are different levels of maturity between the types of functional planning which results in varying levels of integration with operational plans. The quality and consistency of planning information will be improved with a common methodology.

The Department collects standard operational planning information through an automated system - IPPRS. System configuration improvements will lead to better generated reports thereby better demonstrating the potential of automated planning. Streamlined user guides will also help support branch planners to carry out planning activities more effectively.

Given the fact that the Department has just begun using an automated process to conduct integrated planning, there is a good management control framework. The recommendations in the report will serve to further strengthen the integration and improve the effectiveness of operational planning.

Appendix A – Lines of enquiry and audit criteria

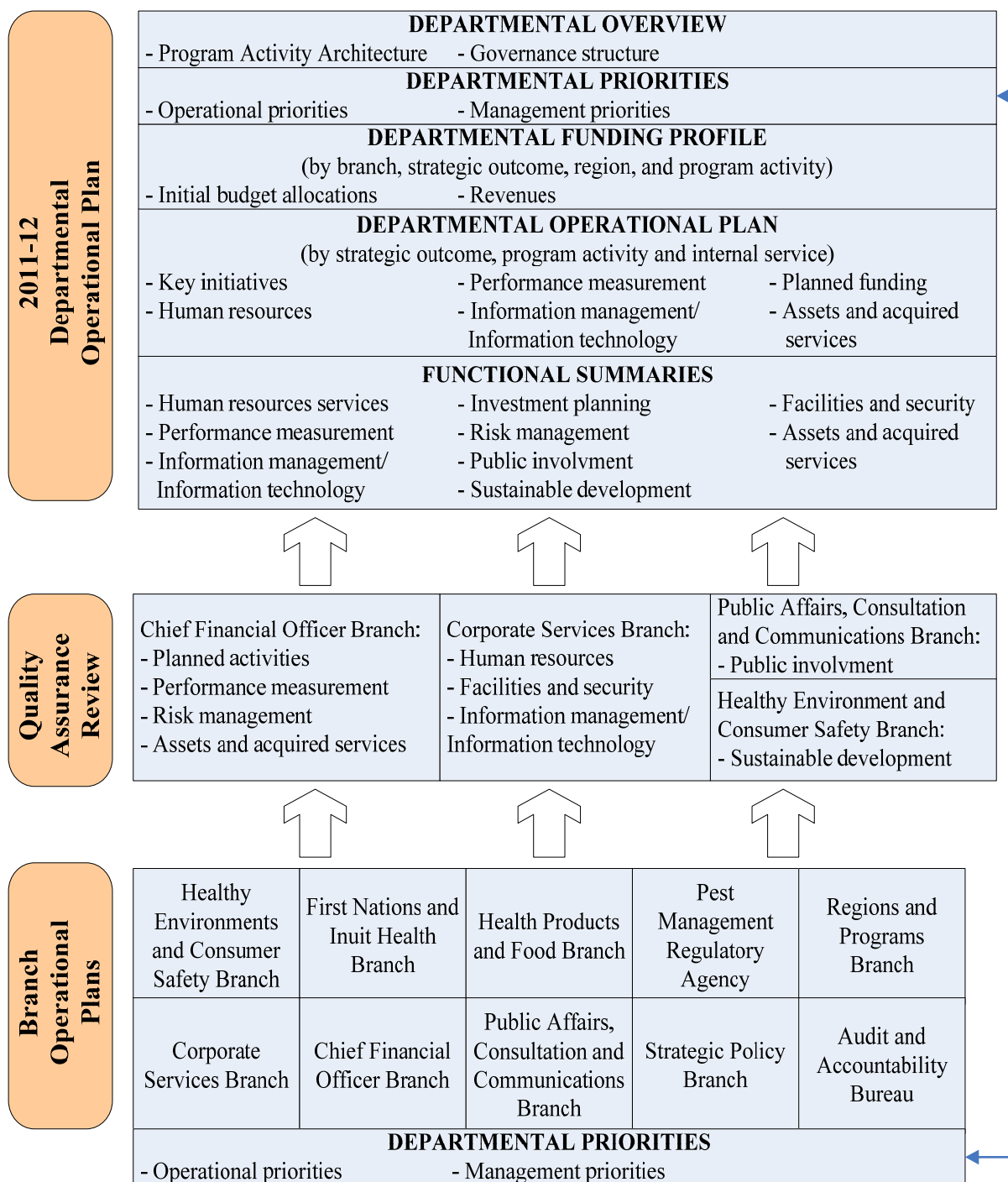
Audit of the Departmental Integrated Operational Planning Process	
Criteria Title	Audit Criteria
<i>Line of Enquiry 1: Governance</i>	
1.1 Planning cycle	The Department has in place an operational planning process aimed at achieving its strategic objectives.
1.2 Planning oversight	The <i>Departmental Operational Plan</i> is approved by senior management in the organization.
1.3 Roles and responsibilities	Roles and responsibilities are communicated and understood.
<i>Line of Enquiry 2: Risk Management</i>	
2.1 Risk management	The Departmental Integrated Operational Planning Process incorporates the results of the <i>Corporate Risk Profile</i> .
<i>Line of Enquiry 3: Internal Control</i>	
3.1 Planning integration	The Departmental Integrated Operational Planning Process incorporates branch and functional level detailed plans.
3.2 Resource allocation	Resources are allocated to planned activities.
3.3 Planning requirements	Branch planning activities meet the requirements of the Departmental Integrated Operational Planning Process.
3.4 Tools and guidance	Tools and guidance are provided to support the Departmental Integrated Operational Planning Process.
3.5 Information for decision making	Senior management receives timely, complete and accurate information to support planning decisions.
3.6 Monitoring planned results	Senior management monitors actual performance against planned results and adjusts as required.

Appendix B – Scorecard

Criterion	Rating	Conclusion	Rec #
Governance			
1.1 Planning cycle	NMiI	The Department would gain from an operational planning policy with mandatory activities and an endorsement by senior management.	1
1.2 Planning oversight	S	There is a suitable governance structure for operational planning.	
1.3 Roles and responsibilities	NMiI	The Department would benefit from consistent documentation of responsibilities.	1
Risk Management			
2.2 Risk management	NI	Mitigation strategies should be included as activities in the <i>Departmental Operational Plan</i> .	2
Internal Controls			
3.1 Planning integration	NMoI	The inclusion of revenues would provide more transparent information on annual expenditures. Better integration of internal services information required.	3 5
3.2 Resource allocation	NMoI	Timely budget transfers, use of performance targets for allocations, integration of Budget Day outcomes with operational planning required.	1
3.3 Planning requirements	NMoI	Existing practices can be strengthened using a common operational planning methodology.	5
3.4 Tools and guidance	NMiI	The Integrated Planning and Performance Reporting System is being enhanced. Guidance documents should be streamlined to focus on a common planning methodology.	4 5
3.5 Information for decision making	NMoI	Timely approvals, completeness of internal services planning templates, earlier integration of internal services, and more accurate IPPRS information required.	1 5
3.6 Monitoring planned results	NMiI	Performance assessments are reported to senior management at mid-year and year end.	

S	NMiI	NMoI	NI	U	Ukn
Satisfactory	Needs Minor Improvement	Needs Moderate Improvement	Needs Improvement	Unsatisfactory	Unknown

Appendix C – Departmental Integrated Operational Planning Process



Appendix D – Departmental Integrated Operational Planning Process Chart

