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# Audit of Integrated Human Resources Planning

Office of Audit and Evaluation

Final Report

January 2012

Canada

The AAFC Audit Committee recommended this audit report for approval by the Deputy Minister on January 19<sup>th</sup>, 2012.

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## EXECUTIVE SUMMARY

Human Resources (HR) planning is a process that identifies current and future human resources needs for an organization to achieve its goals. AAFC's 2009-12 Integrated HR Plan was approved by the Deputy Minister in February 2010. Subsequently, all Branches were directed by the Department Management Committee (DMC) to prepare an Integrated HR Plan by the end of 2010-11 to address organization-specific needs, goals and gaps.

The Office of Audit and Evaluation (OAE) identified the need for an Audit of Integrated Human Resources Planning in its 2011-2014 Three-Year Risk-Based Audit Plan. The objective of the audit was to provide assurance on the extent to which AAFC has an integrated, systematic planning framework for aligning its human resources with its business objectives. The audit focused on the development, use, monitoring and reporting practices related to the Department's Integrated HR Plan for 2009-2012 as well as the Integrated HR Plans for the Research Branch (RB), Farm Financial Programs Branch (FFPB) and Agri-Environment Services Branch (AESB). The audit also included a survey of selected employees from six other branches on their HR planning practices. The audit did not include an examination of the business planning process in the Department.

The Treasury Board of Canada Secretariat's (TBS) Integrated Planning Guide outlines the roles and responsibilities for executives, managers and human resource professionals. It also outlines the key principles for integrated human resources planning and recommends a five step approach to implementation. The Human Resources Branch (HRB) provides support and coordination for overall departmental HR planning and is responsible for developing the Department's Integrated HR Plan.

The audit found, while AAFC has made progress towards implementing an integrated systematic planning framework for aligning its human resources with its business objectives, there are opportunities to improve future iterations of the human resources planning and reporting cycle in the Department. The primary recommendations are as follows:

- The ADM CMB should, in consultation with HRB and members of DMC, clarify the roles and responsibilities of PMB, HMB and DMC with respect to the monitoring and/or approval of Branch Integrated HR Plans.
- The ADM HRB should, in consultation with the ADM CMB and other Branch Heads, develop guidance material which will serve to strengthen the alignment of integrated HR and business planning and facilitate the development and/or updating of these planning instruments.
- The ADM HRB, in consultation with other Branch Heads, should develop and communicate an accepted process for reporting progress against the Branch and Department Integrated HR Plans.

## INTRODUCTION

### 1.1 Background

1.1.1 Human resources (HR) planning is a process that identifies current and future human resources needs for an organization to achieve its goals. It should serve as a link between HR management and the overall strategic plan of an organization. Integrated HR planning aligns an organization's workforce with government priorities and an organization's mission, strategic plan and budgetary resources. It can help identify optimal strategies and activities in areas including recruitment, retention, learning, development, employee engagement, promotion, succession planning, employment equity and official languages.

1.1.2 The Treasury Board of Canada Secretariat's (TBS) Integrated Planning Guide outlines the roles and responsibilities for executives, managers and human resource professionals. It also outlines the key principles for integrated human resources planning and recommends a five step approach to implementation. This involves determining your business goals; scanning the environment; identifying the HR gaps; developing your plan; and measuring your progress.

1.1.3 As Departmental plans and priorities shift over time, there is a risk of misalignment between HR planning practices and the achievement of organizational goals. According to the 2008 *Report of the Expert Panel on Integrated Business and Human Resources Planning in the Federal Public Service*, integrated HR planning requires strong leadership, clearly defined business goals, line manager involvement and effective communications.

1.1.4 The Human Resources Branch (HRB) provides support and coordination for overall departmental HR planning and is responsible for developing the Department's Integrated HR Plan. Each Branch has also been directed to develop an Integrated HR Plan. Branches are responsible for staffing in the Department with assistance provided by HRB.

1.1.5 The Department's 2009–2012 Integrated HR Plan includes the following six priorities: Staffing and Recruitment; Learning and Development; Respectful, Inclusive and Diverse Work Environment; Official Languages; Public Service Employee Survey Action Plan; and Enabling Human Resources Infrastructure. It also outlines the key strategies developed to address the priorities as well as the Corporate Actions, Timelines and Measures of Success. It indicates AAFC's Integrated HR Plan is to be updated annually to report on progress and respond to changing business and HR priorities.

### 1.2 Audit Objective

1.2.1 The Office of Audit and Evaluation (OAE) identified the need for an Audit of Integrated Human Resources Planning in its 2011-2014 Three-Year Risk-Based Audit Plan for 2011-12. The objective of the audit was to provide assurance on the extent to which AAFC has an integrated, systematic planning framework for aligning its human resources with its business objectives.

## 1.3 Audit Scope

1.3.1 This audit focused on the development, use, monitoring and reporting practices related to the Department's Integrated HR Plan for 2009-2012 as well as the Integrated HR Plans for the Research Branch (RB), Farm Financial Programs Branch (FFPB) and Agri-Environment Services Branch (AESB).

1.3.2 The audit also included a survey of selected employees from six other branches on their integrated HR planning practices – the Corporate Management Branch, Information Systems Branch, Market and Industry Services Branch, Strategic Policy Branch, Communications and Consultations Branch and the Rural and Cooperatives Secretariat.

1.3.3 The audit did not include an examination of the business planning process in the Department.

1.3.4 Audit criteria are provided in Annex A. The audit criteria were adapted from applicable sections of the TBS Management Accountability Framework and the TBS Integrated Planning Guide.

## 1.4 Audit Approach

1.4.1 The audit approach and methodology were risk-based and consistent with the *International Standards for the Professional Practice of Internal Auditing* and the *Internal Auditing Standards for the Government of Canada* as required under the *TBS Policy on Internal Audit*. These standards require that the audit be planned and performed in such a way as to obtain reasonable assurance that the audit objective is achieved.

1.4.2 Based on preliminary information reviewed during the audit Planning Phase, and key interviews with AAFC staff, a risk assessment was conducted by OAE to determine the specific areas to focus on during the audit's Conduct Phase. An audit program was prepared and audit evidence gathered through various methods such as interviews, surveys, documentation review and analysis. The audit report is based on fieldwork conducted between August and October 2011.

## 1.5 Conclusion

1.5.1 It is the opinion of OAE that, while AAFC has made progress towards implementing an integrated systematic planning framework for aligning its human resources with its business objectives, there are opportunities to improve future iterations of the human resources planning and reporting cycle in the Department.

1.5.2 These opportunities for improvement are presented in Section 2.0 of the report.

### 1.5.3 The audit identified a number of positive findings:

- The Department & Branch Integrated HR Plans were generally prepared in accordance with the five step approach described in the TBS HR Planning Guide;
- Branch staff were satisfied with the support provided by HRB with respect to Integrated HR Planning. HRB staff provided guidance, templates, HR data and a dedicated resource to help each Branch prepare its Integrated HR Plan. Branches also indicated HRB staff responded quickly to their ad-hoc requests for assistance;
- Communication of the Integrated HR Plans is satisfactory. AAFC's Integrated HR Plan is posted on Agri-Source while the Integrated HR Plans for RB, FFPB, and AESB are posted on their respective intranet sites;
- Most people interviewed/surveyed had a good understanding of their job duties as it relates to HR Planning;
- HRB is widely consulted by CMB during the annual Report on Plans and Priorities (RPP) exercise; and
- Some managers indicated their HR Plans/Strategies were an important tool for making staffing decisions.

## 1.6 Statement of Assurance

1.6.1 In the professional judgment of the Chief Audit Executive, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the opinion provided and contained in this report.

1.6.2 The opinion is based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria that were agreed on with management. The opinion is applicable only to the entity examined. The evidence was gathered in compliance with TBS policy, directives and standards on internal audit, and the procedures used meet the professional standards of the Institute of Internal Auditors.

## **2.0 DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES**

2.0.1 This section of the report presents the key observations, based on the evidence and analysis associated with the audit, and provides recommendations for improvement.

2.0.2 Management responses are included and provide:

- An action plan to address each recommendation
- A lead responsible for implementation of the action plan and
- A target date for completion of the implementation of the action plan.

### **2.1 Roles and Responsibilities**

2.1.1 AAFC's 2009-12 Integrated HR Plan was approved by the Deputy Minister and posted on AgriSource in February 2010. Subsequently, all Branches were directed by the Department Management Committee (DMC) to prepare an Integrated HR Plan by the end of 2010-11 to address organization-specific needs, goals and gaps.

2.1.2 Among the 3 branches selected for review, the Research Branch (RB) approved its Integrated HR Plan in April 2010, the Farm Financial Programs Branch (FFPB) approved its Integrated HR Plan in June 2011 and the Agri-Environment Services Branch (AESB) approved its Integrated HR Plan in August 2011. Each plan was approved by the Assistant Deputy Minister (ADM) of the branch. Most of the other branches have also completed an Integrated HR Plan.

2.1.3 The People Management Board (PMB) was recently established in the Department. According to the Terms of Reference (June 2011) for PMB, it is responsible for monitoring progress towards the implementation of alignment strategies as well as progress towards AAFC's people management objectives, including but not limited to the HR Integrated Plan. Previously, the Horizontal Management Board (HMB) was primarily responsible for HR related matters. In this regard, the Terms of Reference for HMB (November 2010) have not been updated since the creation of PMB.

2.1.4 FFPB presented its Integrated HR Plan to PMB for information in June 2011. As of October 2011, no other Branch has tabled its Integrated HR Plan at PMB. It is unclear whether all Branches should present their plan to PMB for review and/or approval. Similarly, it is unclear whether the Branch Integrated HR Plans should be tabled at HMB and/or DMC. The Branch Integrated HR Plans provide information which may be useful for monitoring progress towards the implementation of human resource alignment strategies across the Department.

#### ***Recommendation 1:***

2.1.5 The ADM CMB should, in consultation with HRB and members of DMC, clarify the roles and responsibilities of PMB, HMB and DMC with respect to the



monitoring and/or approval of Branch Integrated HR Plans.

**Management Response:**

*Action Plan*

- *Management agrees with this recommendation. CMB in consultation with HRB and DMC, will review the Terms of Reference of PMB, HMB and DMC to clarify the roles of these Boards with respect to HR Plans approval and progress monitoring.*

*Lead Responsible: Director General, Strategic Management Division, CMB*

*Target Date for Completion: May 2012*

**Recommendation 2:**

2.1.6 The ADM CMB should amend the Terms of Reference for the boards accordingly.

**Management Response:**

*Action Plan*

- *Management agrees with this recommendation. Following approval by DMC, the revised Terms of Reference for PMB, HMB and DMC will be revised and adopted, as required.*

*Lead Responsible: Director General, Strategic Management Division, CMB*

*Target Date for Completion: May 2012*

## **2.2 HR Planning Alignment**

2.2.1 We reviewed the Department's 2009-12 Integrated HR Plan as well as the Integrated HR Plans for the Research Branch (RB), the Farm Financial Program Branch (FFPB) and the Agri-Environment Branch (AESB). We also held discussions with HRB planning officers and selected employees of the other three branches. We found the 5 Step Approach to Integrated HR Planning was generally followed in the preparation of the plans.

2.2.2 We noted the Department's Integrated HR Plan outlines AAFC's Strategic Outcomes and Program Activity Architecture while the Integrated HR Plans for RB, FFPB and AESB include the key business priorities for their respective Branches. The plans also include strategies for HR priorities such as Staffing and Recruitment; Learning and Development; Respectful, Inclusive and Diverse Work Environment; Official Languages; Public Service Employee Survey Action Plan, etc. However, HR strategies to address

Branch business goals, while evident to some extent, are not clearly reflected in all the plans. This limits their usefulness from a HR planning perspective. Based on our discussions with AAFC staff, we concluded the 3 branches have not fully aligned the timing and development of their Integrated HR Plans with their business planning efforts.

2.2.3 We also noted the Department's Integrated HR Plan and the Integrated HR Plans for the three Branches selected for review were not well aligned in terms of format, duration and period coverage. This makes it difficult to link the branch plans with the Department's Integrated HR Plan. For example, the plans reviewed comprise the following years:

AAFC	2009-2012
RB	2010-2013
FFPB	2011-2014
AESB	2010-2012

2.2.4 The Department has an established process for Integrated Planning which includes HR, IM/IT, Assets, Communications, etc. However, documented guidance material for preparing Integrated HR Plans is currently limited. This may have contributed to the inconsistencies noted during our examination and could lead to a duplication of effort in the future preparation of various plans and updates at the Branch and Department levels.

### **Recommendation 3:**

- 2.2.5 The ADM HRB should, in consultation with the ADM CMB and other Branch Heads, develop guidance material which will serve to strengthen the alignment of integrated HR and business planning and facilitate the development and/or updating of these planning instruments.

### **Management Response:**

#### *Action Plan*

- *Management agrees with the recommendation. HRB, in consultation with all Branches, will prepare an Integrated HR Planning framework and corresponding guidance documents to support the development of both the Corporate HR Plan and Branch specific HR planning processes. These documents will also be shared with Strategic Management Directorate and the departmental planning community, as custodians of business planning processes, to strengthen the alignment of integrated HR and business planning, facilitate the development and/or updating of the HR planning instruments and provide direction for reporting progress against the Branch and Department Integrated HR Plans.*

*Lead Responsible: ADM HRB*

*Target Date for Completion: Initial presentation of framework in May 2012, with*

*agreement on a fully developed set of guidance documents, principles and guidelines by early September 2012 in line with the planned launch of the annual integrated planning cycle.*

## **2.3 Annual Progress Reporting**

2.3.1 The Department's 2009-12 Integrated HR Plan included a commitment to report on progress against the human resources priorities laid out in the plan, and also to make adjustments based on the evolution of AAFC business priorities. The plan also indicated that, starting in 2011, an Annual Update of the plan will be published on AgriSource between February and April, and will be based on progress against the "measures of success" outlined in the plan.

2.3.2 The Department's Integrated HR Plan includes Corporate Actions and Timelines. The 2011 Update was completed in April 2011 by HRB. It reports detailed progress against the Corporate Actions outlined in the plan but provides little information about progress against the measures of success. We were informed that the 2011 Update has yet to be distributed to Branch Heads or presented to PMB, HMB or DMC. It also has not been posted on AgriSource as of October 2011.

2.3.3 As far as progress reporting at the Branch level is concerned, the Research Branch approved its 2011-12 Annual Update in October 2011. The update outlines, among other things, the Goals/Expected Results for 2010-11 and the Key Accomplishments for its HR Plan Priorities. FFPB intends to monitor progress and prepare Annual Action Plans while AESB is committed to updating its Integrated HR Action Plan and Progress Report on an annual basis. It is not clear at this point in time whether annual branch progress reports against their Integrated HR Plans are to be tabled at PMB nor is it clear whether HRB intends to aggregate the annual updates for reporting on a Departmental basis.

### **Recommendation 4:**

2.3.4 The ADM HRB, in consultation with other Branch Heads, should develop and communicate an accepted process for reporting progress against the Branch and Department Integrated HR Plans.

### **Management Response:**

#### *Action Plan*

- *Management agrees with the recommendation. HRB, in consultation with all Branches, will prepare an Integrated HR Planning framework and corresponding guidance documents to support the development of both the Corporate HR Plan and Branch specific HR planning processes. These documents will also be shared with Strategic Management Directorate and the departmental planning community, as custodians of business planning processes, to strengthen the alignment of integrated HR and business*

*planning, facilitate the development and/or updating of the HR planning instruments and provide direction for reporting progress against the Branch and Department Integrated HR Plans.*

*Lead Responsible: ADM HRB*

*Target Date for Completion: Initial presentation of framework in May 2012, with agreement on a fully developed set of guidance documents, principles and guidelines by early September 2012 in line with the planned launch of the annual integrated planning cycle.*

## **Appendix A: Audit Criteria**

The Department has established adequate management oversight for Integrated Human Resources (HR) Planning and clearly communicates the roles, responsibilities and accountabilities of its staff for the function.

Integrated HR Planning is aligned with government-wide policies and the Department's strategic and business priorities.

AAFC provides employees with adequate training, tools, guidelines, information and systems access to support their Integrated HR Planning responsibilities.

External and internal environments are monitored to ensure key risks and change initiatives are incorporated into the integrated HR planning process.

Key performance measures linked to planned results are identified in the Department's Integrated Human Resources Plan and Branch HR Plans.

Management monitors and reports actual HR performance against planned results and initiates course adjustment, where appropriate.

AAFC's departmental and branch HR plans are understood and used by managers and staff.