

Follow-up to the Audit of Compensation

November 2004

Report Clearance Steps

Follow-up process initiated	February 2004
Report completed	August 2004
Follow-up report approved by Departmental Audit and Evaluation Committee	November 4, 2004

Acronyms used in the report

AEB	Audit and Evaluation Branch
DAEC	Departmental Audit and Evaluation Committee
EC	Environment Canada
EMC	Executive Management Council
FAA	Financial Administration Act
NCR	National Capital Region

New Follow-up Process

As of the May 23, 2003 meeting of the Departmental Audit and Evaluation Committee (DAEC) a new approach to follow-ups is being taken. While the practice in the past had been for the Audit and Evaluation Branch (AEB) to conduct them, it is now the responsibility of the relevant program managers to conduct follow-ups to recommendations resulting from audits or evaluations of their own programs. This information is provided in table format in Appendix 1 of this report. The information provided by program managers has been reviewed by the AEB.

Context

This follow-up is being conducted three years after the initial report on the Audit of Compensation. The follow-up to the audit is being done to determine the adequacy, effectiveness and timeliness of management action taken to implement the recommendations made in the initial audit. Follow-ups are important, as they give senior management a crucial indicator as to the implementation rate of recommendations and adjustments made in relation to the management responses.

Current Status

The recommendations from the initial audit in 2001 focussed on three areas:

1. the preparation of a control framework for pay administration;
2. the workload of compensation advisors being assessed against appropriate standards and the preparation of an action plan aimed at reducing the risk of experienced staff leaving; and
3. the training needs of compensation advisors being addressed in terms of new courses and refreshers.

This follow-up revealed that recommendation one is partially addressed. The preparation of a control framework for pay administration is threefold. *First*, it requires the implementation of risk-based controls such as post verification of a sample of transactions. Risk-based verification is currently occurring on a limited ad hoc basis and seems to be focused primarily on overtime verification (**partially addressed**).

Second, it requires authorization of payment under Section 33 of the Financial Administration Act be verified to ensure accuracy. An Integrated Control Framework for online pay has been drafted, which addresses this component by proposing the partial transfer of the delegation of Section 33 to Human Resources. The Director Generals' of Human Resources and Finance have explored this possibility and are in agreement to proceed with implementation by 2005-6. Executive Management Council (EMC) approval will be requested to proceed with either a full implementation or on a pilot basis for the National Capital Region (NCR) (**partially addressed**).

Finally, the control framework requires Human Resources to provide information to managers and administrative staff on collective agreements, leave and compensation policies. This is currently being addressed through the compensation and benefits website on Infolane (**addressed**).

Recommendations two and three have been addressed, see Appendix 1 for more details.

Risks

As authorization under Section 33 will be delegated to Human Resources the responsibility for both Section 33 and risk-based verification of transactions (Section 34) will have to reside in one location. This provides the opportunity for more effective controls; however, a systematic plan must be implemented to ensure that all transactions are properly verified and that segregation of duties is maintained.

Future Actions

A follow-up audit, to assess whether risk-based controls for verification are being systematically applied (recommendation 1i) and whether controls for the newly acquired Section 33 (recommendation 1ii) are being carried out by Human Resources, is recommended. This follow-up should take place in 2006-7.

DAEC Decision

DAEC noted that the implementation of previous recommendations is taking too long. DAEC asked the ADM, HRSI to verify why an additional year is required to implement the recommendations and provide a follow-up report and action plan.

APPENDIX 1

PROGRAM RESPONSE:

Follow-up to the Audit of Compensation

RECOMMENDATION 1: PREPARATION OF A CONTROL FRAMEWORK FOR PAY ADMINISTRATION			
Addressed <input type="checkbox"/> Partially Addressed <input checked="" type="checkbox"/> Not Addressed <input type="checkbox"/>			
INITIAL RECOMMENDATION	INITIAL MANAGEMENT RESPONSE	ACTIONS TAKEN TO DATE	ACTION PLAN
<p>Under the functional direction of the Director, Classification and Staff Relations and in concert with the Regional Directors of Human Resources, a control framework for pay administration should be prepared, based on the directions given by the Treasury Board <i>Comptrollership Policy on Pay Administration</i>. This pay administration framework would define the respective responsibilities of managers, administrative assistants, compensation advisors and financial officers in the pay, leave and overtime processes. Verification of the authorized level of approval for pay transactions should be included in the control framework for pay administration.</p> <p>This control framework will also include the following components of controls and communication:</p> <p>i) Risk-based controls should be implemented in the compensation units. Also, a post verification of a sample of transactions should be conducted by the supervisor and/or a peer and/or a third person.</p>	<p>Agreed-</p> <p>i) Stop verifying the Overtime Form prior to the request for payment on-line. It will be Manager's responsibility to ensure that the request is in accordance with the relevant collective agreement. (Inform Managers directly one month prior to the change February 1, 2002; reminder two weeks prior to the change March 1, 2002; to be implemented by March 15, 2002).</p> <p>Other pay transactions: the regional Chief of Compensation will establish a control mechanism. (Depending on the performance and experience of the Compensation Advisors on a current basis).</p> <p>ii) The Director General Human Resources and the Director General Financial Service will define their respective responsibilities and control measures to ensure that the on-line transactions verification is not duplicated and the Compensation Section will provide to Financial Services all required documents needed for the</p>	<p>i) Following the recommendations of the Management Service Review Report (MSR), <u>limited verification</u> of overtime was accepted. Since the report was conducted, limited verification of overtime is done as part of the accountability of the HR function.</p> <p>A number of initiatives have also been put in place such as:</p> <p>1) Overtime guidelines have been developed and posted on the Infolane since April 2002, available to all managers and employees</p> <p>2) Spot checking of overtime is done on a periodic basis</p> <p>ii) An Integrated Control Framework – On Line Pay System has been drafted. This framework identifies the respective responsibilities and control measures to ensure that the on-line pay transactions verification is not duplicated. One of the control measures recommended is the transfer of pay authorization (Partial Delegation of Section 33) to HR Compensation. The Director Generals' of Human Resources and Finance have explored this possibility and are in agreement to</p>	<p>The "Electronic Overtime Reporting System" has been created and is in testing phase. A pilot is to start in the Atlantic Region in May 2004. In this system, direct links to appropriate collective agreements overtime clauses will be made. This will assist the managers in a better administration of overtime. Expected date of implementation, sometime in 2005.</p> <p>This project is led by Information Management and Technology Directorate, HR Management Systems Group and Corporate Compensation.</p>

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<p>ii) Authorization of payment by Finance under Section 33 of the FAA should only occur when finance has reasonable assurance that the payee is entitled to or eligible for the payment, the transaction is accurate and complies with all relevant statutes, regulations and Treasury Board policies. Finance could verify on a sample basis the source documents pertaining to the transactions to be authorized.</p> <p>iii) An information session and/or package should be prepared by Staff Relations in conjunction with Compensation Services, and communicated to managers and administration staff. Information provided would include collective agreement interpretations, the management and administration of leave and overtime, the proper completion of forms in use, and the application of new compensation related policies.</p>	<p>authorization of some transactions. (February 15, 2002).</p> <p>iii) The Corporate Compensation Unit and/or Corporate Staff Relations Unit will contribute to the development and maintenance of a Compensation Web Site on "Infolane". (Under revision but will be implemented by March 31, 2002).</p> <p>The Corporate Compensation Unit will inform all employees of the department of important changes to their benefits and of new collective agreements via "Exchange Admin".</p>	<p>proceed with the delegation by 2005-6. EMC approval will be requested to proceed with either a full implementation or on a pilot basis for the NCR Region. As the TB policy stipulates that only financial officers may have signing authority under Section 33, we are in the process of requesting the Minister's authorization to delegate this authority.</p> <p>iii) The "National" Compensation and Benefits Web Site on "Infolane" has been developed and maintained by Corporate Compensation on a regular basis. Any new information relating to pay, leave, benefits, insurance and pension is published on this site.</p> <p>Same as above</p>	

RECOMMENDATION 2: ANALYSIS OF WORKLOAD			
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Under the functional direction of the Director, Classification and Staff Relations and in concert with the Regional Directors of Human Resources, the workload of compensation advisors should be assessed against appropriate standards (Treasury Board standards, level of activity on the accounts) and an action plan aimed at reducing the risk of experienced staff leaving be prepared.	<p>Agreed -The Treasury Board standards are now 155 to 160 pay accounts per advisor. Some of our regions have an average of 300 pay accounts per advisors. The Recruitment Trainee Program will ensure to reduce the number of accounts by advisors at long term. The MSR Committee is looking into this and will make some propositions.</p> <p>Propositions to be presented by the MSR Committee in January 2002.</p>	<p>Prairie and Northern: An average of 145 accounts per Advisor but this fluctuates a lot over the year with the student program.</p> <p>Ontario : An average of 164 accounts per Advisor</p> <p>NCR: With the new structure in place, an average of 177 accounts per Advisor. One Advisor is presently acting outside the unit. When the Advisor returns, the average of accounts per Advisor will be 163.</p> <p>The Recruitment Trainee Program has assisted in the reduction of accounts per Advisor.</p>	

RECOMMENDATION 3: ENHANCED TRAINING FOR COMPENSATION ADVISORS			
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Under the functional direction of the Director, Classification and Staff Relations and in concert with the Regional Directors of Human Resources, the training needs of compensation advisors should be assessed in terms of new courses and refreshers.	<p>Agreed -The Treasury Board Secretariat is offering different advanced courses to Compensation Advisors as needed.</p> <p>The Regional Chiefs of Compensation will establish a training schedule for their respective Compensation Advisors.</p>	<ul style="list-style-type: none"> As per the Treasury Board's current fiscal year course calendar <p>Prairie: - Advisors participated at PWGSC courses particularly Pension Division. Also they attended courses or presentations offered in Prairie region such as Learning for Tomorrow, Harassment, How to Ace an Interviews and Learning about Finance. Some of them also attended PowerPoint XP and EXCEL. The regional Association of Compensation Managers hosted a one day Pay Symposium in October which all advisors attended</p> <p>Ontario: "Building Excellence in Client Service" course has been taken by the Advisors who wished to take this course (7 out of 11). PWGSC training is provided on an on-going basis. Advisors are also invited to attend the Information sessions provided by the Toronto's Association of Compensation Managers.</p>	<p>Training needs will be reviewed on an on-going basis and training provided as required.</p> <p>Training needs will be reviewed on an on-going basis and training provided as required.</p>

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		NCR: Advisors participated at PWGSC courses particularly Pension Division. All advisors are scheduled to attend an information session on "Virtual Pay".	Training needs will be reviewed on an on-going basis and training provided as required.