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Management Practices Review of the Nunavut Regional Office

July, 2009



Review Objectives

The objectives of the management practices review are:

- To assist Regional and Sector management in assessing whether their management practices and controls are designed to achieve objectives in an efficient and effective manner;
- To inform senior management of areas of strength and areas for improvement in respect of the department's management practices and controls; and
- To inform the AES risk-based audit planning exercise so that future audits can be directed to the areas and horizontal control systems that present the highest levels of risk.



Methodology

- On-site work conducted February 9 -18, 2009 in Iqaluit.
- Interviews conducted with 16 Regional representatives including the Regional Director General, directors, managers and staff.
- A random sample selected (judgmental sample in areas of higher risk) of 47 human resource transactions (including staffing, classification, training expenditures relative to existing learning plans, overtime and leave), 5 grant and contribution files and 20 contracting transactions (including 5 acquisition card transactions).



Context

- The Nunavut Regional Office is responsible for delivery of INAC programs to communities across Nunavut.
- The Nunavut Region had 27 active contribution agreements in 2007/08 totalling \$13.3m.
 - All 23 agreements signed in 2007/08 represented single-year agreements.
 - 4 multi-year agreements were signed in 2006/07.
- Unlike other Regions, Nunavut does not have any First Nation reserves. Program funding is therefore directed to organisations who then proceed with projects that deliver the program mandate.
- 2007/08 total expenditures represented \$45.3 million including:
 - \$25 million in operations and maintenance;
 - \$11.6 million in grants and contributions; and
 - \$8.7 million in salaries.



Observations – General Management

Strengths

- Regular management meetings (Regional Management Committee and Regional Executive Committee) are held to discuss and resolve issues; with decisions being made by consensus.
- Strategic objectives filter down through each directorate's Operational Plan and work plan.
- Regional management participates in semi-annual meetings to review performance against the Strategic Plan.
- Staff are consulted and encouraged to provide input during the formulation of the Region's Strategic and Operational Plans.
- Risk management at the program and project level is robust, especially in the Contaminated Sites Program.



Observations – General Management (cont'd)

Strengths

- Budget variances are reviewed on a monthly basis at the Regional Management Committee (RMC).
- Communication in the Region is open and transparent, thus supporting the effective management of horizontal files.
- Finance keeps a record of all acting assignments; this is necessary given the transitory nature of the Region's staff.



Observations – General Management (cont'd)

Areas for Improvement

- While formal risk assessments and risk management activities are performed at the program level, there is no overarching risk management framework for the Region as a whole.
- Difficulty in attracting, recruiting and retaining employees at the management level has resulted in senior management, including the RDG, being spread too thinly across the organisation.
- Acting assignments for senior management positions are too short (often for one month or less); limiting continuity and staff development in key positions.
- Strategic and Operational Plans are not fully integrated with Regional Human Resource (HR) Plans and Employee Performance Management agreements.



Observations – General Management (cont'd)

Areas for Improvement

- The Nunavut Regional Office (NRO) reports progress against plans using an activity-based model making performance difficult to measure; the Region will be adopting a results-based model for the 2009/2010 fiscal year.
- The organizational structure has not been reviewed since the inception of the Region in 1999.
- Staff preparing ad hoc reports are not always informed of why the information is needed and therefore do not understand the value of the task they are performing.
- There is a desire in the Region for more frequent and responsive communication with Headquarters (HQ).



Background - Human Resources

- The total number of employees in the NRO at March 31, 2008 was 101 (includes indeterminate and term employees over three months).
- The Region reports that it includes 31% Inuit staff; higher than the overall INAC Aboriginal/Inuit complement of 29.1%.
- The Region's long-term goal for Inuit staffing is to achieve 85%; in line with the Nunavut Land Claims Agreement (Article 23). In order to meet this long-term goal, the Region gives priority to Inuit candidates who are deemed qualified to be appointed over all candidates in an effort to achieve this goal.
- 8.4% of the Nunavut Region staff are eligible for retirement within the next 5 years compared to 21.2% nationally.



Observations – Human Resources

Strengths

- Employees are highly supported in training and professional development requests; however, due to a heavy workload and staff shortages, it may be difficult for certain individuals to attend training.
- The NRO actively promotes employment opportunities within the Region (local workshops and school presentations) in an effort to adhere to the Nunavut Land Claim Agreement (Article 23).
- Directors and managers feel highly supported by the HR Division with regards to responsiveness to any queries/issues.
- Employees receive regular feedback on performance from management through both formal and informal channels.



Observations – Human Resources (cont'd)

Strengths

- Advertised competitions reviewed included a comprehensive Candidate Log and Screening Report as well as candidate information for those screened in and out.
- Of the classification transactions reviewed, all decisions were supported by rationale or were linked to another identical or generic position.
- Every learning plan reviewed was approved by a supervisor/manager with delegated authority.



Observations – Human Resources (cont'd)

Areas for Improvement

- Additional resources may be required to address capacity issues in the HR Division (e.g. a dedicated labour relations specialist).
- Roles and responsibilities of managers and HR advisors are not clearly understood by both parties.
- Given the Regional issues in attracting, recruiting and retaining highly skilled and experienced staff, there is inadequate use of “Non-Advertised Staffing” actions.
- Succession planning activities vary across the Region depending on the nature, complexity and seniority of the position.
- The rationale for a staffing decision is not always clearly documented within the specific file (4 out of 5 advertised files reviewed lacked a staffing rationale summary).



Observations – Human Resources (cont'd)

Areas for Improvement

- In one of the three “acting less than 4 months” samples reviewed, the acting pay was approved after the acting period occurred.
- For one of the five overtime transactions reviewed, the number of hours entered into PeopleSoft was incorrect.
- For one of the five overtime transactions reviewed, the overtime was not pre-approved.
- In one of the five overtime transactions reviewed, the person signing Section 34 did not have delegated authority.
- Two of the five learning plans reviewed were not sufficiently robust to ensure adequate personal development.
- In four of the five training files reviewed, there was no information to determine if the employee attended the planned training.
- In the sample of the learning plans reviewed, two of the courses were not approved prior to booking.



Observations – Grants and Contributions

Strengths

- All agreements reviewed were executed by the individual with the appropriate delegated authority and reviewed by NRO Finance in a timely manner (within two weeks).
- Within the five files reviewed, those that were proposal driven provided evidence of a consistent and rigorous review of recipient proposals (project assessment and project synopsis reports).
- Appropriate delegated authority for Section 33 and Section 34 sign-offs were present on all files reviewed.
- A sample review of G&C payments revealed that no payment was made to a recipient who had failed to meet the reporting requirements of the agreement.
- The NRO has developed a consistent approach to document G&C files.



Observations – Grants and Contributions (cont'd)

Areas for Improvement

- Recipient reports are not consistently and rigorously reviewed by Regional staff prior to releasing program funds.
- Of the files reviewed, none provided formal evaluation criteria to rank recipient proposals.
- Annual program guides and program applications are not proactively circulated to all prospective applicants.



Observations – Grants and Contributions (cont'd)

Areas for Improvement

- Monitoring activities in the Region are not formally documented. As a result, the extent to which monitoring activities are conducted is unknown.
- For one of the five G&C files reviewed, no formal agreement assessment was performed prior to the payment of funds.
- Front-line staff (Funding Services Officers (FSOs) and Program Officers) do not receive formal training on G&Cs (most training is done on-the-job). This may contribute to inconsistencies in review procedures.
- FSOs are responsible for uploading recipient reports into FNITP (recipients are third party organisations), dates indicated in FNITP for receipt of reports are not consistent with the “date stamp” on the reports.



Observations – Contracting

Strengths

- Section 32 and Section 34 approvals were included on all reviewed files in compliance with the *Federal Administration Act*.
- Amendments to contracts were well documented, appropriately justified, and in compliance with policy.
- Statements of Work for call-ups to standing offers were thorough, provided an outline of deliverables, time-lines, costs and included the appropriate approval of senior management.
- In all cases, the need to acquire the service has been adequately justified and linked to program objectives or Regional mandate.
- Based upon a review of the contracts and invoices, all payments were made in accordance with the basis of payment and terms stated in the contract and/or call-up (three of the contracts reviewed were awaiting invoices to be paid).



Observations – Contracting (cont'd)

Areas for Improvement

- Of the five competitive contracts reviewed, none provided any formal evaluation criteria for selection or justification as to why one proposal was selected over another.
- Of the five call-ups on standing offer contracts reviewed, none provided any selection criteria or documentation that other options were considered.
- In three of five sole-source contracts reviewed, the decision to follow a non-competitive procurement strategy was not documented or justified in accordance with Section 6 of the Government Contract Regulation.
- The selection method for contracts could lead to complaints to the Canadian Internal Trade Tribunal for loss of business and conflict of interest claims.



Observations – Acquisition Cards

Strengths

- A number of best practices were documented over the course of testing, including:
 - The use of cardholder authorisation forms;
 - The scanning of all statements into CIDMs;
 - The separation of Section 34 signing authority for each purchase based on responsibility management centre; and
 - A regularly updated electronic log of purchases and payments.
- Areas for Improvement
 - No exceptions to compliance were noted.



Recommendations – General Management

- The NRO should develop an integrated risk management framework, focusing on integration of risk assessments with planning, priority setting and resource allocation processes.
- Senior management, including the RDG, should empower direct reporting staff to a greater extent, thus allowing senior management to focus on higher risk and strategic issues.
- Increased duration of acting assignments in senior management positions could improve continuity and employee development.
- The organisational structure and number of employees should be reviewed on a unit by unit basis.



Recommendations – General Management (cont'd)

- The NRO should implement a results-based planning and reporting model that allows effective and efficient performance measurement. (The Region intends to implement this in 2009/2010)
- The NRO should ensure that Strategic Objectives are reflected in individual employee performance plans, where appropriate.
- The NRO should minimise the number of ad-hoc reports produced and ensure that staff preparing information and reports are aware of intended use.



Recommendations – Human Resources

- The capacity of the HR Division should be reviewed and sufficient resources employed to meet the Region's needs.
- The Region should embrace the use of Non-Advertised Staffing for key technical and senior management positions when practical.
- A clarification exercise of roles and responsibilities should be conducted.
- The HR Division should develop processes to ensure that HR plans, work descriptions and staffing rationales are on file and are signed by the appropriate level of delegated authority.



Recommendations – Human Resources (cont'd)

- Issues related to manager approval and sign-off of acting pay, overtime and leave transactions should be addressed and monitoring controls should be implemented.
- Controls surrounding the completion of employee learning plans should be strengthened to ensure that training is approved prior to attendance and that attendance is documented.



Recommendations – Grants and Contributions

- A comprehensive standard for G&C programs, including ongoing monitoring, documentation of activities and the development of a risk-based recipient audit regime should be in place for all programs.
- FSOs/Program Managers should review mandatory reports (including financial statements) in a timely manner to ensure the recipient is in compliance with the program terms and conditions prior to the release of funding.
- Where Regional mandate delivery priorities permit, funding decisions should be based on a ranked eligibility order or priority system rather than on a “first-in-first-out” basis.
- Evidence of the rigorous review of proposals, applications and reports should be documented and maintained.



Recommendations – Grants and Contributions (cont'd)

- Program Managers should review and approve/reject project proposals and applications in a timely manner.
- FSOs and Program Managers should receive mandatory training to strengthen their review methodology.
- Annual program guides should be circulated to all potential recipient organizations.
- Program Managers should ensure that recipient reports are uploaded into FNITP utilising the date of receipt stamped on the report.



Recommendations – Contracting

- Selection criteria and related supporting documentation should be maintained on file to justify the selection of a particular contractor or decision to use a sole-source arrangement.