



Old Port of Montréal Corporation Inc.

Special Examination Report—2013



Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

OAG-BVG

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To the Board of Directors of the Old Port of Montréal Corporation Inc.:

We have completed the special examination of the Old Port of Montréal Corporation Inc. in accordance with the plan presented to the Audit Committee of the Board of Directors on 13 September 2011. We are pleased to provide the attached final special examination report to the Board of Directors, as required by Section 139 of the *Financial Administration Act*.

We will be pleased to respond to any comments or questions you may have concerning our report at your meeting on 27 March 2013.

I would like to express my appreciation to the Board members, management, and the Corporation's staff for the excellent cooperation and assistance offered to us during the examination.

Yours sincerely,

Sylvain Ricard, CPA, CA
Assistant Auditor General

MONTREAL, 26 March 2013

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Old Port of Montréal Corporation Inc.

Special Examination Report—2013

Main Points

What we examined

The Old Port of Montréal Corporation Inc. (the Corporation) was formed in 1981 under the *Canada Business Corporations Act* and is a wholly owned subsidiary of Canada Lands Company Limited (CLCL). On 29 November 2012, the Governor General in Council authorized CLCL to merge with its subsidiary when it deemed the time was right. Up until that date, the Old Port of Montréal Corporation Inc. had been considered a parent Crown corporation pursuant to certain provisions in the *Financial Administration Act*.

The Corporation's mandate is to showcase the Old Port of Montréal, to promote development of the site, and to administer, manage, and maintain the assets of the Corporation as a site for cultural and urban recreational tourism. The current site of the Old Port of Montréal represents a total area of about 41 hectares, and stretches for about 2.4 kilometres along the shore of the St. Lawrence River.

We examined whether the systems and practices that were in place between May and December 2011 at the Old Port of Montréal Corporation Inc. provided it with reasonable assurance that its assets were safeguarded and controlled, its resources were managed economically and efficiently, and its operations were carried out effectively. We focused mainly on the areas of corporate governance, strategic planning, risk management, human resource management, information technologies, operations, and asset management.

In addition, in response to a request from the Governor General in Council on 15 May 2012, we also looked at certain practices of the Corporation, particularly those related to travel and hospitality expenses. This additional audit work covered the 2006–07 to 2012–13 fiscal years, and our findings have been taken into account throughout this report. For details on the conduct of the examination, see **About the Special Examination** at the end of the report.

Why it's important

The Old Port of Montréal is a popular recreational tourism site and one of the most important in Canada. In the 2011–12 fiscal year, it attracted close to 6.6 million visitors. Through the Old Port of Montréal Corporation Inc., the Government of Canada aims to protect and promote Canadian cultural heritage and contribute to economic development, among other things. The government also aims to improve urban living conditions and facilitate public access to the waterfront without interfering with the port's activities.

What we found

We found no significant deficiencies in the Corporation's systems and practices. A significant deficiency is reported when there is a major weakness in the Corporation's systems and practices that could prevent it from having reasonable assurance that its assets are safeguarded and controlled, its resources are managed efficiently and economically, and its operations are carried out effectively. We found good practices in a number of areas. However, in other areas, we found there was room for improvement, especially with respect to the Corporation's management of travel and hospitality expenses, as well as documentation of management decisions.

- The Corporation has good governance practices. The Board of Directors has developed a profile of the skills and knowledge required by its members, and the roles and responsibilities of members are clearly defined. The Corporation has adopted a code of ethics and professional conduct for management and staff. However, the Corporation has done little to raise awareness about the application of the mechanisms that are in place for reporting situations that are not in compliance with the code.
- The strategic planning process that the Corporation has adopted allows it to align its programs and activities with its strategic objectives. The Corporation's operational marketing plan supports the achievement of the objectives set out in its business plan.
- Corporation management is aware of the key risks to which the organization is exposed. Several components of a risk management framework are in place in the Corporation, particularly for operational risks. However, risk management is not yet fully integrated, and the Corporation does not have a complete analysis of the risks that have been identified. There is no formal mechanism for monitoring operational risks or identifying new risks.
- The Corporation negotiates with concession holders who operate concession businesses from which the Corporation collected about \$2.8 million in revenue in the 2011–12 fiscal year. However,

the Corporation did not have in place any documented and approved policies, procedures, processes, or controls to ensure that its agreements with concession holders were well managed. This lack of documentation on file to support decisions and practices resulted in a case-by-case management approach.

- The Corporation continually monitors the current physical condition of its assets. It uses the data it gathers to implement a preventive and corrective maintenance program that is based on an assessment of priorities and resources allocated by the government.
- The Corporation places great importance on customer service. It has established standards and practices for providing quality service and following up on complaints received. It has also developed a security management framework that sets out the security measures in place to protect all of the Corporation's resources, whether human, material, financial, or information technology.
- The Corporation must significantly improve its systems and practices in order to ensure the sound management of travel and hospitality expenses. The Corporation's policy in this area allows a great deal of discretion to those claiming and approving claims. Some travel and hospitality expenses claimed by management were not examined properly as a result of weaknesses in the Corporation's practices.
- Several times during our examination, we found a lack of documentation. The Corporation's systems and practices, as well as management decisions, should be based on complete, reliable, and accessible documentation, rather than on staff knowledge. Better documentation would, among other things, reduce the risk of losing corporate memory, and would enhance the efficiency, transparency, and accountability of management. Furthermore, proper documentation would show that management had met its responsibilities with respect to the Corporation's policies.

The Corporation has responded. *The Corporation agrees with all our recommendations. Its detailed responses follow each recommendation in the report.*

Special Examination Opinion

To the Board of Directors of the Old Port of Montréal Corporation Inc.

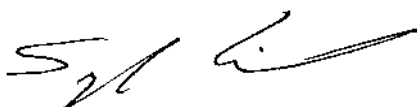
1. Under section 131 of the *Financial Administration Act* (FAA), the Old Port of Montréal Corporation Inc. (the Corporation) is required to maintain financial and management control and information systems and management practices that provide reasonable assurance that its assets are safeguarded and controlled; its financial, human, and physical resources are managed economically and efficiently; and its operations are carried out effectively.
2. Section 138 of the FAA also requires the Corporation to have a special examination of these systems and practices carried out at least once every 10 years.
3. Our responsibility is to express an opinion on whether there is reasonable assurance that during the period covered by the examination—from May to December 2011—there were no significant deficiencies in the Corporation's systems and practices.
4. We based our examination plan on our survey of the Corporation's systems and practices as well as on a risk analysis. On 13 September 2011, we submitted the plan to the Audit Committee of the Board of Directors. The plan identified the systems and practices that we considered essential to providing the Corporation with reasonable assurance that its assets are safeguarded and controlled, its resources managed economically and efficiently, and its operations carried out effectively. Those are the systems and practices that we selected for examination.
5. The examination plan also included the criteria we used to examine the Corporation's systems and practices. These criteria were selected for this examination in consultation with the Corporation. The criteria were based on our experience with performance auditing and our knowledge of the subject matter. The criteria and the systems and practices we examined are listed in **About the Special Examination** at the end of this report.
6. We conducted our examination in accordance with our plan and with the standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Accordingly, it included the tests and other procedures we considered necessary in the circumstances. In carrying out the special examination, we did not rely on any internal audits.

7. In our opinion, based on the criteria established for the examination, there is reasonable assurance that during the period covered by the examination there were no significant deficiencies in the Corporation's systems and practices.

8. However, we have some concerns about situations where considerable improvements should be made to the management of travel and hospitality expenses. We also found that some decisions that management made were not always properly documented. These issues are described in detail in the **Matters of Concern** section.

9. The rest of this report provides an overview of the Corporation and more detailed information on our examination observations and recommendations.

On behalf of the Auditor General of Canada.



Sylvain Ricard, CPA Auditor, CA
Assistant Auditor General

Montréal, Canada
22 March 2013

Overview of the Old Port of Montréal Corporation Inc.

10. On 26 November 1981, the Old Port of Montréal Corporation Inc. (the Corporation) was incorporated under the *Canada Business Corporations Act*. It is a wholly owned subsidiary of the Canada Lands Company Limited (CLCL), a Crown corporation named in Part 1 of Schedule III of the *Financial Administration Act* (FAA). Before 29 November 2012 and in accordance with Order in Council P.C. 1987–86, the Corporation was subject to certain provisions of the FAA as if it were a parent Crown corporation. On 29 November 2012, the Governor General in Council repealed Order in Council P.C. 1987–86 and authorized the CLCL to merge the Corporation with its two other subsidiaries, Parc Downsview Park Inc. and the Canada Lands Company CLC Limited.

11. At the time of writing this report, the Corporation had not yet merged with the CLCL into a single Crown corporation. The Corporation was therefore a wholly owned subsidiary of the CLCL.

12. The Corporation's mandate is not specifically defined in a separate Act of Parliament. It was originally described in a management agreement signed on 1 February 1982 by the Corporation and the Minister of Public Works and Government Services Canada. The Government of Canada confirmed the Corporation's mandate in December 2002. This mandate is set out in a business plan that must be approved every year. The Corporation's mandate is to develop and promote the Old Port of Montréal as a site for cultural and urban recreational tourism, and to administer, manage, and maintain the Crown's assets.

13. The Government of Canada set the following additional objectives for the Corporation:

- to preserve and promote Canadian cultural heritage,
- to improve the quality of urban life and facilitate public access to the waterfront without interfering with the port's activities,
- to contribute to economic development efforts,
- to maintain select port functions that are suitable to an urban historic setting, and
- to provide a dynamic federal government presence.

14. The current site of the Old Port of Montréal, which represents an area of about 41 hectares, is about 2.4 kilometres long and borders

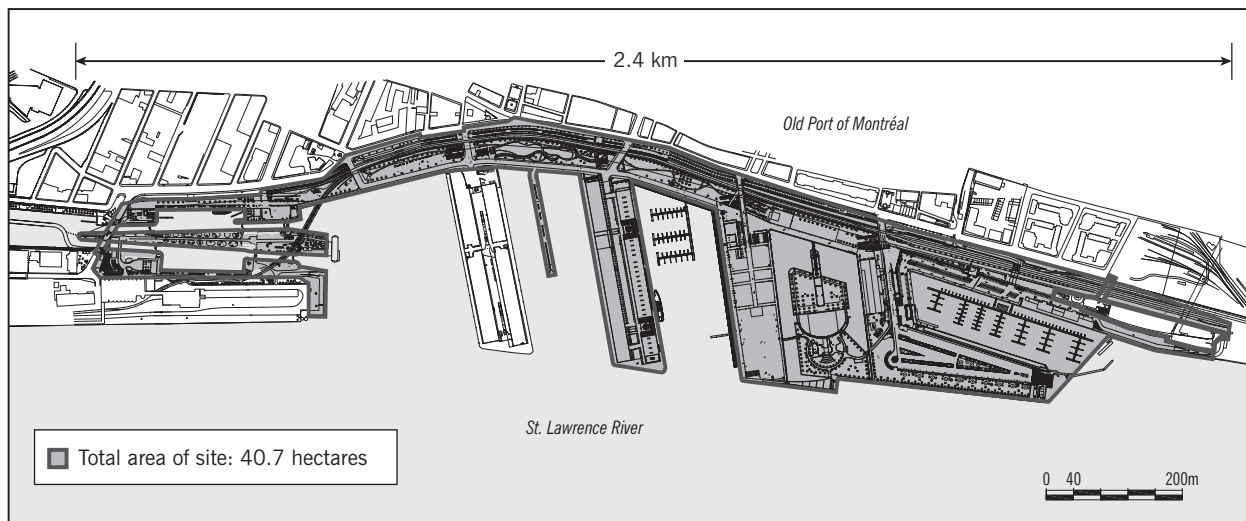
on the St. Lawrence River. Exhibit 1 is a map of the area of the Old Port of Montréal that the Corporation manages.

15. Responsibility for the Corporation's governance rests with a Board of Directors whose members are appointed by the Canada Lands Company Limited. The Corporation has up to 400 employees, peaking in the summer months. Its offices are located in Montréal.

16. The Corporation strives to make the Old Port a year-round urban maritime park, a must-see gathering place for entertainment, education, and promotion of Montréal and Canadian cultural heritage. The Corporation would also like to be recognized for its effective and efficient management. To that end, the Corporation based its priorities on five strategic objectives:

- strengthen the Old Port's identity and enhance the visitor's experience;
- increase the percentage of visitors who pay to take part in maritime, outdoor, and entertainment activities, to eat on-site, or to purchase goods from concession holders;
- do more activities as partnerships;
- carry out major renovation, maintenance, and security projects at the site; and
- put in place a leadership skills development program for executives.

Exhibit 1 The Corporation manages the Old Port of Montréal site



Source: Old Port of Montréal Corporation Inc.

17. In the 2011–12 fiscal year, the Corporation had about \$48 million in funding to carry out its mandate. Nearly two thirds of the funds were Parliamentary appropriations. Sources of funding and a summary of the Corporation's results for the past two years are found in Exhibit 2.

Exhibit 2 The Corporation's main performance indicators and sources of funding

Performance Indicators	2011–12 targets	2011–12 results	2010–11 results
Number of visits to the Old Port (in millions)	6.6	6.6	6.6
Number of tickets sold at the Montréal Science Centre	800,600	812,217	646,307
Events held on the Quays of the Old Port (days/events)	355	216	355
Sources of funding	2011–12 budget	2011–12 results	2010–11 results
Parliamentary appropriations (\$ millions)	30	30	29
Operating income (\$ millions)	17	18	16

Source: Old Port of Montréal Corporation inc, Annual Report 2011–2012

18. The Corporation is known, among other things, for the variety of activities and products it offers. Visitors have access to the Montréal Science Centre, where they can enjoy cultural and educational as well as science and technology exhibitions and activities, and visit the IMAX theatre. They can also take part in art, maritime, and historical exhibits and events on the Quays of the Old Port. The Corporation offers visitors various sites and services (including concessions, parking, a port of call, an outdoor skating rink, and an urban beach.) It also manages a variety of capital assets, such as bridges, quays, buildings, grounds, bodies of water, infrastructure, public services, archaeological remains, and heritage properties.

19. The Corporation must design, promote, and deliver—at a competitive price—goods and services that meet customers' needs. At the same time, because of its mission, the Corporation must balance the requirement to generate income with its public service function.

Focus of the special examination

20. Our objective is to determine whether the Old Port of Montréal Corporation Inc.'s systems and practices provide it with reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively during the period covered by the audit: namely, May to December 2011. We focused on the areas of corporate governance, strategic planning, and risk management; performance measurement and reporting; human resource management; information technologies; operations; and asset management.

21. Also, on 15 May 2012, on the recommendation of the Minister of Public Works and Government Services Canada, and pursuant to section 11 of the *Auditor General Act*, His Excellency the Governor General in Council asked the Auditor General to look into and report on certain human resource practices, travel and hospitality expenses, compensation and benefits, asset management, and leasing activities of the Old Port of Montréal Corporation Inc. This additional audit work included the 2006–07 to 2012–13 fiscal years. The findings from that additional work have been taken into account throughout this report.

22. More details on the audit objectives, systems and practices, and criteria are provided in **About the Special Examination** at the end of the report.

Observations and Recommendations

Corporate governance

23. Corporate governance refers to the structures, systems, and practices used to oversee the direction and management of an organization to ensure that it carries out its mandate and achieves its objectives. Sound practices in corporate governance are essential to meeting the objectives outlined in Part X of the *Financial Administration Act* as it relates to Crown corporations. These objectives involve specifically whether the Corporation's assets are safeguarded and controlled, its resources are managed economically and efficiently, its activities are effective, and its operations are carried out effectively.

24. We examined whether the Corporation has adopted an efficient governance framework that meets expectations for best practices in the management of the Board of Directors and shareholder relations.

25. In examining the Corporation's governance, we reviewed the following elements:

- competency profile and the appointment of Board members,
- functioning of the Board and its committees,
- information for Board oversight,
- orientation and training of Board members,
- ethics,
- internal audit,
- strategic direction, and
- relations with the shareholder and government authorities.

26. Overall, we found that the Corporation had a good governance framework. However, there is room for improvement in some areas.

The Corporation demonstrates good governance practices

27. The Corporation is managed by a five-member Board of Directors. Members are appointed by the parent corporation for a fixed term. Terms are staggered to ensure that corporate knowledge is maintained on the Board.

28. The Corporation adopted an official charter, which sets out the Board's stewardship responsibilities. The charter assigns to the Board clearly defined roles, responsibilities, and powers. Two committees support the Board's work: the Audit Committee and the Human Resources Committee. Each committee operates according to the mandate the Board has given it and reports regularly to the Board.

29. The Board drew up a profile of competencies and knowledge that it must have. We found that Board members collectively possess the degree of independence, abilities, and competencies that allow them to fulfill their responsibilities. If needed, Board members receive training.

30. In 2009 and 2010, the Board did a self-assessment with the aim of enhancing its governance abilities. This self-assessment allowed the Board to measure its performance and that of its committees in carrying out most of the Corporation's major oversight activities.

31. The Corporation has also identified its information needs. Besides information on risk management (see the **Strategic planning, risk management, performance measurement, and communication of results** section), management provides the Board with the timely and pertinent information it needs to carry out its oversight

responsibilities. The Corporation also communicates with its shareholder at an annual meeting and provides information to the shareholder in its annual report.

32. Establishing and maintaining a corporate culture of sound values and ethics is paramount. For this reason, the Corporation adopted and distributed within the organization a code of ethics and professional conduct for Board members and employees. The code includes mechanisms for reporting situations of non-compliance. The Corporation also obtained conflict of interest statements from its Board members, thereby confirming their independence.

33. During interviews with employees and former employees of the Corporation, a number of them indicated some situations where conduct concerning employee relations was deemed to be inappropriate. The conduct indicated was not always consistent with the values promoted in the public sector. Although the Corporation has put in place certain mechanisms to ensure a workplace rooted in sound values and ethics, we noted that in these cases, these mechanisms had not been used. We strongly encourage management and the Board to keep abreast of any situation that may not conform to the Corporation's code of ethics and to take steps to rectify the situation as needed. Also, the Corporation would do well to expand its awareness-raising activities for employees to emphasize the importance of reporting any incidents of non-compliance.

**Strategic planning, risk
management, performance
measurement, and communication
of results**

34. Strategic planning defines an organization's long-term direction and activities in keeping with its mandate. This involves assessing and adjusting its strategic direction based on changes in the organizational environment and the risks the organization faces. Risk management consists of identifying and assessing risks, as well as a process for documenting the steps management has taken to mitigate them. The Board of Directors plays an important role in this area, in terms of both strategic planning and risk management. Performance measurement and reports on it are key tools for making informed decisions. They force management to be accountable and show the extent to which a corporation has achieved the expected results set out in its strategic plan and the objectives set out in legislation.

35. We examined whether the Corporation has a clearly defined strategic direction as well as specific and measurable objectives that enable it to fulfill its legal, business, and public interest mandates. The strategic direction and objectives must take into account the government's priorities and the identified risks, along with the fact that

the Corporation is responsible for monitoring and safeguarding its assets, and must manage its assets in an economical and efficient manner. We also looked at whether the Corporation has systems and practices in place for identifying, measuring, mitigating, and monitoring major risks to ensure risks are kept at an appropriate level, depending on the type of activity. Finally, we examined whether the Corporation has specific performance indicators for measuring the results obtained in comparison to its mandate and objectives. We looked at whether its performance reports provide complete, accurate, current, and balanced information in order to support decision making and accountability.

36. To examine strategic planning, risk management, performance measurement, and the communication of results, we reviewed the following processes:

- business plan development and operational planning development;
- identification, assessment, monitoring, and mitigation of risks, and accountability for risk management throughout the organization;
- performance indicators and the selection process for performance measurement;
- monitoring of performance information and accountability, including the review of internal performance reports and the annual report.

37. Overall, we found that the Corporation had clearly defined its strategic direction and had reconciled its activities accordingly. We also noted that the Corporation had specific and measurable objectives that enabled it to achieve its mandate as well as the government's priorities. It also had a process for measuring its performance and for providing complete, accurate, up-to-date, and balanced information in this regard. However, we found that although management was aware of the principal risks the Corporation faced, risk management could be more integrated.

38. During the Special Examination we submitted in 2005, we identified two significant deficiencies in the systems and practices used for strategic planning and change management. The Corporation could not make long-term commitments or appropriate and timely decisions in this area of its operations because it did not have a government-approved long-term plan and direction. The Corporation has also had difficulty managing the growth resulting from the opening of the Montréal Science Centre. Since then, the Corporation has put

in place various systems and practices to follow up on our observations and to rectify the significant deficiencies identified during the previous examination.

A rigorous strategic planning process is in place

39. The Corporation's business plan sets out its planning over a five-year period. The Board was involved in preparing the business plan and approved it. We found that the Corporation's strategic planning was formally and rigorously carried out, and that it took the government's priorities into consideration. Our examination of the strategic planning process also showed that strategic objectives were directly linked to operational planning.

40. The Corporation's 2010–11 to 2014–15 business plan sets out the Corporation's mandate, vision, mission, and values, and presents its strategic objectives and relevant performance targets and indicators. It takes into account the Corporation's internal and external environment, as well as its strengths and weaknesses. It also presents the principal strategies to be proposed during the planning period in order to achieve the stated objectives. The Old Port of Montréal Corporation Inc. received Treasury Board approval for its business plan in May 2010. The 2011–12 to 2015–16 business plan was also approved by Treasury Board in December 2011 for two fiscal years: 2011–12 and 2012–13.

41. To guide its long-term activities, the Corporation has created a development plan for 2005–15 entitled *Vision for Development: A Window on the River*. Its objectives are

- to complete, in a sustainable manner, the development of the most popular recreational tourism site in Quebec;
- to contribute in a tangible way to Montreal's economic development and to its positioning as a major world-class destination;
- to consolidate the area's heritage importance by giving visitors the tools they need to understand its industrial, port, and maritime history; and
- to increase year-round access and commercial appeal.

42. Management received support from the Board of Directors to implement the 2005–15 development plan. The government encouraged the Corporation to continue its strategic development

activities in keeping with its long-term objectives to complete the development of the Old Port and continue to work with partners from the community.

Risk management could be better integrated

43. An integrated risk management framework allows a corporation to get consolidated information on the risks inherent in its operations and on practices and controls that can mitigate these risks. Putting in place a formal and integrated risk identification, assessment, and monitoring process allows a corporation to handle major risks systematically and globally.

44. Our special examination report from 2005 included some observations on risk management systems and practices. We recommended in the report that the Corporation adopt a more integrated risk management approach and obtain consolidated information in this area.

45. We noted that Corporation management is aware of the principal risks to which the Corporation is exposed. Management has several risk management framework components in place, particularly concerning operational risks. Moreover, in 2007, the Corporation carried out a risk sector assessment with the internal auditor. We noted that there were some formal practices in the strategic and operational planning process for identifying the Corporation's risks and issues.

46. However, we found that risk management had not yet been fully integrated. We noted the same concerns in our last special examination. The Corporation does not have a complete global analysis, for the entire Corporation, of the strategic and operational risks identified, along with a list of the greatest risks ranked in order of importance, a description of the controls or mitigation steps implemented by management, or notable changes to the risks, their ranking, the steps taken by management, or their results. Except for the project management framework (see the **Asset management** section), we did not find any formal mechanism that can monitor operational risks or identify new risks. Finally, we noted that the Board received limited information on risks.

47. An integrated approach should include periodic discussions among Board members and senior management on the overall management of risks. In this way, Board members would have reasonable assurance that all major risks were identified in all areas of activity and that risk management systems and practices have been put

in place. Furthermore, integrated risk management would encourage strategic decision making and would help the Corporation to achieve its overall objectives. It would also help to identify and assess the relevant risks for planning internal audits.

48. Recommendation. The Corporation should put in place a process for integrated risk identification, assessment, and monitoring, and report on it to the Board of Directors in order to manage the Corporation's risks in a more integrated manner.

***The Corporation has responded.** Agreed. The Corporation will proceed, during the period of 2013–15, to update the areas of risk assessed in 2007 and will develop an integrated risk management framework. The Corporation's audit committee will be informed of changes to this framework once a year.*

The Corporation has processes in place to measure its performance and communicate results

49. To manage effectively, a corporation must measure its performance. A well-designed performance assessment process and proper performance indicators provide an overview of the results obtained. They enable management and the Board of Directors to rectify business strategies in a timely fashion and facilitate decision making. The annual report is the public communication tool that attests to the results obtained.

50. We noted that the Corporation has processes in place for measuring its performance. The principal performance indicators it uses are defined in the business plan; a management dashboard is used to follow up on them. Management periodically reports on these indicators. Activity reports are submitted to the executive committee regularly so it can analyze the results and make the necessary adjustments. These activity reports are also prepared with a view to producing quarterly reports, which are submitted to the Board of Directors.

51. Finally, we analyzed the Corporation's 2010–11 annual report. We found that the results were presented in relation to the strategic objectives, principal performance indicators, and established targets. These results were also illustrated with a number of examples that explain the Corporation's context and challenges, particularly in cases where the established targets were not achieved during the year.

Human resource management

52. The success of the Corporation depends in large part on the quality and performance of its employees. The Corporation has about 180 permanent, full-time employees, as well as temporary, casual, and seasonal employees. In June 2011, 394 people were working for the Corporation.

53. We wanted to find out whether the human resource management systems and practices the Corporation had used gave it the human resource capacity and work environment it needed to achieve its goals and objectives.

54. Our examination of human resource management included the following processes:

- the Corporation's human resource planning process,
- staff recruitment and retention,
- employee training and development,
- performance management,
- labour relations management, and
- occupational health and safety management.

55. Overall, we found that the Corporation had adopted a human resource management framework that provided it with assurance that it has the human resource capacity and workplace environment it needs to achieve its goals and objectives. Although the turnover rate was high in certain employment categories, we found that this was primarily attributable to the cyclical nature of the Corporation's activities, and that recruitment strategies existed to deal with this situation.

The Corporation has adopted processes to ensure that it has enough qualified employees

56. We found that the Corporation had put in place various processes to manage its human resources. Although the Corporation does not have a formal human resource planning process, several components are in place. Human resource planning is done as part of the Corporation's strategic planning and operational planning carried out by the vice-president of human resources. We also found that the Corporation had identified its current and future human resource needs. However, we did not find evidence showing that the number of employees available matched the Corporation's strategic objectives. The human resource planning exercise is conducted annually. The

Corporation could plan to produce, once a year for all functions, a complete and up-to-date multi-year plan for staffing that is consistent with the objectives of the business plan.

57. Succession planning is a challenge for the Corporation because of its size and the nature of its workforce. Nevertheless, a succession planning exercise for senior managers was done in 2010. The Corporation hired a consulting firm to develop a succession planning process, assess the probability of senior managers leaving, and identify possible successors.

58. We found that systems and practices for the recruitment and allocation of staff were aligned with the Corporation's needs and allowed for the recruitment and retention of the appropriate number of qualified employees. We also found that the Corporation had a staffing policy similar to those found in the federal public service. However, we reviewed a number of files related to hirings between the 2006–07 and 2012–13 fiscal years, and found that the documentation was not always complete. Although the staffing files related to more recent hirings were more complete, some did not contain any evidence that the candidate's references, employment history, or educational background had been checked. One purpose of these pre-employment checks is to protect businesses from dishonest and incompetent employees.

59. We also found that compensation systems and practices contribute to attracting, retaining, and compensating employees. The Corporation has a compensation strategy and guidelines in place that outline the working conditions of unionized and non-unionized employees.

60. We found that the systems and practices the Corporation uses for training and development were in keeping with the organization's strategic goals and objectives, and have enabled it to acquire, maintain, and develop the skills and competencies it needed. The Corporation has a policy that covers all major aspects of employee training and development. It also has an employee training and development plan.

61. The Corporation has performance management policies and procedures for non-unionized staff. The policies and procedures for senior managers allow them to receive performance bonuses of 10 to 15 percent of their annual base salary. We found that these procedures were similar to most Treasury Board of Canada Secretariat policies and guidelines in this area. We also reviewed a number of

performance evaluations and found that they were detailed and in keeping with the Corporation's performance management process. We also found that performance bonuses were approved and documented in keeping with the applicable rules, regulations, and policies.

62. Although the way the Corporation manages performance enables employees to achieve the organization's objectives, we found that there is room for improvement. The Corporation has put in place a performance management process for non-unionized employees that requires an evaluation of their contribution to achieving the Corporation's objectives. However, no similar process has been implemented for unionized employees. The Corporation told us that it would implement a performance evaluation process for its unionized employees as of the 2012–13 fiscal year.

63. We found that the Corporation's management of labour relations was sound. Since 2004, the number of grievances has decreased; most were resolved even before they reached arbitration. The Corporation also has a policy on the management and prevention of harassment in the workplace. However, there was no indication in the documentation we reviewed regarding certain harassment complaints that the Corporation's policy was complied with or that a fair process had been followed, because the documentation was incomplete. Furthermore, the Corporation's policy could be improved by including, among other things, an informal resolution process, such as mediation, to resolve some harassment complaints. This confidential and voluntary approach to problem solving encourages cooperation.

64. Finally, the Corporation ensures a healthy and safe work environment. Since a prevention program aimed at reducing the risk of workplace accidents and various other risk-prevention initiatives for the workplace have been implemented, the number and severity of workplace accidents have decreased.

Information technology

65. Information systems play a key role in all of the Corporation's services and activities. It is therefore essential that the Corporation have in place an information technology infrastructure that allows it to ensure business continuity and to meet information needs to achieve its objectives.

66. We wanted to find out whether the planning, development, implementation, and management of information technology and information management systems allow the Corporation to achieve its strategic and operational objectives, ensure business continuity, and respond to its information needs in a timely manner.

67. We examined the following components of information technology management:

- strategic and operational plans for information technology,
- processes for maintaining and monitoring information technology systems,
- the information technology recovery plan, and
- policies related to information security.

68. Overall, we found that the Corporation had the systems and practices it needed to manage its information technology and information management systems properly to ensure business continuity and respond to its information needs.

The Corporation plans and develops information systems that support the organization's activities

69. We found that the Corporation's operational and strategic plans for information technology were in keeping with its business plan and its operational requirements. However, in its current form, the information technology strategic plan is too detailed and contains as many strategic elements as operational ones. It does not cover the risks to its information technology assets or the measures that could mitigate these risks. We encourage the Corporation to identify the risks it faces in this area to show that its related plans are based on the highest risks. The Corporation would also benefit from creating an information technology steering committee. Such a committee would promote the allocation of resources in this area based on the Corporation's identified risks and priorities, among other things.

70. We also found that computer systems were available and used when required, and that they were designed to fend off attacks and to resume operations after an outage. The Corporation has in place a series of policies related to security and the acceptable use of information technologies. An annual review of information technology security is conducted by a third party. The observations and recommendations from the review are then put into an action plan, and progress is monitored. Although the Corporation provides its security policies to employees when they are hired, we found that it did not have a security awareness program in place. Such a program would enable the Corporation to increase staff awareness and remind staff regularly of security issues to minimize the risk of security incidents.

Operations

71. The Corporation must design, promote, and deliver—at a competitive price—goods and services that meet customers’ needs. Also, in several areas and various operational activities, the Corporation must take into account a number of aspects related to the safety of visitors and employees. It must comply with legislation and regulations to be a good citizen and ensure that the site is safe.

72. We wanted to find out whether the Corporation had operating procedures and security systems and practices that complied with legislation and regulations. We also wanted to find out whether these ensured business continuity and visitor and employee safety while meeting customers’ needs. We examined whether the Corporation had plans, systems, and practices to guide programming, marketing, and the creation of new products and services. We wanted to know whether these plans, systems, and practices were in keeping with the Corporation’s mandate, mission, vision, and objectives; met market needs; and were implemented effectively.

73. In examining operations management, we looked at the following elements:

- operating procedures and standards;
- the management of leases and concessions (assessment, selection, negotiation, and monitoring);
- customer service;
- the management of complaints;
- the safety management system and emergency measures plan;
- the program development process; and
- systems and practices for marketing.

74. Overall, we found that the Corporation had in place the systems and practices it needed to ensure business continuity and public and employee safety, while meeting customers’ needs. We also found that the Corporation had effective systems and practices to govern programming, marketing, and the creation of new products and services that met market needs. However, the systems and practices related to lease management need some improvement.

The Corporation has put in place systems and practices to ensure that its operations are well managed

75. During our previous special examination, we found that the Corporation did not have a list of the major legislation and regulations to which it is subject for all key aspects of its operations. As part of the current special examination, we found that the Corporation had drawn up this list and that the most recent update was done in December 2009. When we finished our audit work, the Corporation was updating the list of statutes and regulations to which it is subject. We also found that the Corporation had put in place operating standards and procedures to oversee its on-site activities. These activities are designed and carried out in a way that minimizes the safety risks to people and property, in keeping with the relevant statutes and regulations.

76. The quality of customer service is a top priority for the Corporation. We found that it had standards and procedures in place to enable it to maintain high customer service standards and to follow up on complaints received.

77. In terms of activity programming, we found that the Corporation had programming development and management systems and practices in place that contributed to its achieving its business plan objectives and to fulfilling its mandate. There are obvious links between programming at the Montréal Science Centre and the Quays of the Old Port and the Corporation's performance objectives. The achievement of performance objectives is monitored regularly.

There is room for improvement in the Corporation's management of leases and concessions

78. There are around 50 concession holders on the Old Port of Montréal site. They offer visitors maritime, sporting, and outdoor activities; shopping; and a variety of food services. The Corporation negotiates agreements in the form of leases with concession holders who run year-round or seasonal businesses. These leases may be signed based on a merchant's proposal or as a result of the Corporation's call for proposals. In the 2011–12 fiscal year, the Corporation earned about \$2.8 million in income from these concessions.

79. We found that the Corporation did not have in place any documented and approved policies, procedures, processes, and controls to ensure that leases and concessions are well managed. Instead, we found case-by-case management and a lack of documentation on file to support decisions and practices relating to

their respective management. For example, the Corporation did not always conduct a financial analysis concerning the viability of the concession, only very rarely obtained business plans, and only occasionally checked the financial or personal history of future concession holders. The Corporation was also unable to show us that it always assessed the fair market value of the premises to be leased before leases were signed.

80. Although the responsibilities of each party were clearly defined in the Corporation's leases, we noted that the standard leases that are used should be updated to better reflect current legislation and terminology. Furthermore, changes are made to certain clauses of standard leases without being reviewed beforehand by an expert in this area. We also found that in 7 of the 15 concession files we examined, the lease took effect before the two parties had signed the lease.

81. Leases between the Corporation and the concession holders contain clauses related to such issues as the use, maintenance, and safety of the leased facilities; the environment; operating costs; and lessee obligations. Although some monitoring and follow-up activities are done, the Corporation is unaware of the extent to which concession holders comply with the key aspects of their leases. We found that the Corporation did not have an oversight process in place to ensure that concession holders comply with clauses in the leases and that corrective measures are taken in cases of non-compliance.

82. After the period included in our examination, we found that the Corporation was addressing the weaknesses we had found.

83. Recommendation. The Corporation should implement a rigorous and consistent process for assessing and selecting business proposals and negotiating leases in order to ensure that the agreements it enters into with concession holders are well managed. The Corporation should also develop a risk-based lease and concession oversight process to assess the concession holders' compliance with the clauses in their leases.

***The Corporation has responded.** Agreed. The Corporation will finish implementing a lease management system. At the same time, it will put in place quality control measures for concession holders regarding customer service and concession holders' compliance with their contractual obligations. This work will be completed by 31 March 2014.*

The Corporation has a safety management framework in place

84. The safety of people and property is an area of high risk for the Corporation. It has developed a safety management framework that identifies the public safety policies, procedures, and guidelines to follow to protect all its resources: human, material, financial, and information technology. This framework includes a business continuity plan that provides for the various steps to be taken to ensure that the Corporation's operations will continue if an emergency or disaster occurs. We found that the policies, procedures, and guidelines were communicated to employees, primarily through training. We also found that the Corporation has put in place a periodic review process for its policies, procedures, and guidelines. The Corporation has identified how often each one is to be updated and has created a schedule for this purpose. However, major policies, procedures, and guidelines, such as the emergency measures plan, have not been updated using the process that is in place or the schedule that has been created. The Corporation told us that it planned to conduct this update within a reasonable time frame.

The Corporation does not have a rotation plan for simulation exercises

85. The Corporation's emergency measures plan identifies the steps to be taken in the case of events that are most likely to result in disaster and threaten the safety of people and property on its site. The plan also sets out the roles and responsibilities of all the appropriate responders.

86. The purpose of a simulation exercise is to improve response capacity. The exercise involves simulating a disaster and implementing part or all of the emergency measures plan. We found that some simulation exercises had been carried out to put the Corporation's emergency measures plan into practice. However, the Corporation had not developed a formal and detailed exercise rotation plan based on the risks in order to put into practice or modify as needed the critical simulation exercises and evacuation drills outlined in the emergency measures plan.

87. Recommendation. The Corporation should develop a formal and detailed rotation plan for simulation exercises based on the risks with a view to putting into practice the most critical exercises in its emergency measures plan.

The Corporation has responded. Agreed. The Corporation recently created a record of prevention and protection simulation exercises. The Corporation will implement risk simulation exercises by 31 March 2014, and every two years afterwards. This record will be updated every five years.

Marketing plans and strategies respect solid management practices

88. Our 2005 special examination report contained several observations on marketing systems and practices. At that time, we found that marketing and business development strategies were not clearly defined or adequately monitored to ensure that strategic objectives were achieved and revenues maximized. This situation has contributed to making change management difficult within the Corporation. Since then, the Corporation's marketing systems and practices have improved, which allowed it to follow up on the observations presented in the report.

89. We found that the Corporation has in place marketing plans, systems, and practices that are in keeping with its mandate, mission, vision, and objectives. These plans, systems, and practices meet the market's needs and are implemented effectively. The Corporation's operational marketing plan, which includes marketing strategies, supports the achievement of objectives in the Corporation's business plan. The operational marketing plan is well structured, is complete, and complies with sound management practices. It is also communicated well within the Corporation, which closely monitors changes to its customer base as well as customer profiles. The data gathered by the Corporation indicates a very high level of customer satisfaction.

90. We found that the Corporation paid special attention to its communications activities. As far as possible, it makes sure to target its clientele well. It also ensures that it measures the results of its efforts. The Corporation manages its alliance strategies to support the achievement of corporate objectives.

Asset management

91. Safeguarding assets and keeping them in good condition is one of the Corporation's greatest challenges. It must ensure that equipment, buildings, and infrastructure are maintained so they are accessible and activities may be carried out safely.

92. We wanted to find out whether the Corporation had plans, systems, and practices in place to allow it to acquire, maintain, modify, and replace material resources. We also examined whether the Corporation had in place systems and practices to properly manage the agreements it enters into with its main suppliers. Finally, we examined whether the Corporation used these plans, systems, and practices to ensure business continuity, meet its current and future needs, minimize environmental impacts, and comply with environmental laws.

93. In our examination of asset management, we focused on the following elements:

- the asset management plan;
- project management;
- the procurement process;
- the building condition report;
- the preventive and corrective maintenance system; and
- the environmental management system, especially the management of contaminated sites.

94. Overall, we found that the Corporation had plans, systems, and practices in place to allow it to acquire, maintain, modify, and replace material resources while ensuring business continuity, keeping in mind current and future needs, and complying with environmental requirements. The Corporation also had systems and practices in place to enable it to manage well the agreements it had signed with its main suppliers. However, we found that documentation related to project management needs improvement.

An overall site management plan has been drawn up

95. In November 2009, the Corporation obtained custody of federal assets located on the Old Port of Montréal site from Public Works and Government Services Canada (PWGSC). PWGSC had been the guardian of these assets for over 25 years; the Corporation was responsible for managing them on the Department's behalf. The Department's investments were limited to urgent health and safety projects, because the Old Port's assets had been considered surplus for the purposes of the Minister's programs and mandate. After responsibility for these assets was transferred, the Minister responsible for the Corporation asked it to develop a solid long-term management plan for its buildings, facilities, and infrastructure that is based on expert assessments and takes into account the current condition and expected use of each asset.

96. We found that the Corporation has drawn up a comprehensive site management plan. This 25-year plan includes a management strategy and a list of current and future needs based on the Corporation's 2005–15 development plan (capital expenditures, maintenance, and repairs). The site management plan is based in large part on information drawn from the 2009–10 Building Condition Report and various other technical appraisals done at the

Corporation's request. Based on the site management plan, the cost of asset maintenance work between 2012–13 and 2016–17 will total \$55.7 million—an average of \$11.1 million per year.

97. On an ongoing basis, the Corporation monitors the physical condition of the property it manages using information from the Building Condition Report, the comprehensive site management plan, additional studies, and its own inspection activities. As a result, the Corporation can assess priorities and implement a preventive and corrective maintenance program. The Corporation allocates human, material, and financial resources to ensure that priority preventive maintenance is completed in a timely fashion, using the resources allocated by the government. However, we found that for work that was not performed, the Corporation had not fully documented the level of health and safety risk associated with each of these work projects or the mitigation activities that needed to be carried out. In response to these observations, the Corporation sent us documents showing that it was in the process of conducting a detailed analysis of the risks and mitigation activities relating to its assets.

98. Finally, the Corporation ensures that the major capital projects it undertakes to add or modify material resources are in keeping with the master development plan and master operational plans, and that they are justified by analyzing needs and priorities.

There is room for improvement in the project management documentation

99. Since we presented our special examination report in 2005, we found that progress had been made in the area of project management. However, improvements are still needed when it comes to information management. We found that the Corporation has developed a project management framework that defines, by and large, the planning, supervision, and monitoring requirements when it comes to the scope, costs, time frames, and quality of projects. This management framework allows the Corporation to learn from completed projects.

100. However, we found that improvements are needed to facilitate access to this information, ensure it is complete, and mitigate the risk of the information being unreliable. The Corporation would get more complete information, and the information would be easier to access, if the Corporation documented its projects during their entire life cycle instead of by fiscal year. With better documentation, the Corporation could preserve its corporate memory, foster coherent and consistent communication throughout the organization, and better support decision making.

101. Finally, the Corporation used service contracts to obtain advice to carry out certain projects when it did not have the expertise required. When it launched the bidding process, the Corporation did not impose restrictions on contractors it had contracts with in the past who provided guidance on certain issues and projects. We noted that one contractor to whom the Corporation awarded a contract had an advantage, or could have been perceived to have a conflict of interest, when it dealt with the Corporation as part of a public bidding process. The Corporation would benefit from reviewing its practices to ensure that contracts are awarded fairly to prevent real or perceived conflicts of interest.

102. Recommendation. The Corporation should review how it applies its project management framework to ensure that the documentation on each of its projects is easy to access, is complete, and is reliable. It should also document its projects during their entire life cycle instead of by fiscal year.

The Corporation has responded. Agreed. The Corporation will update its documentation system, classification system, and follow-up process for the project cycle by 31 March 2014

The Corporation manages well the issues related to its contaminated sites

103. The Corporation made protecting the environment one of the values that guides decision making for management of the Old Port. It has nearly finished implementing its environmental management system. Although the system meets its needs, the Corporation found it cumbersome and hard to use. A review was done to improve and simplify this tool.

104. During our examination, we paid special attention to the management of contaminated sites, given the importance of the environmental issues involved. Overall, we found that the Corporation did a good job of managing the issues related to its contaminated sites. It has set up a soil and groundwater management program to ensure that the activities and work carried out on contaminated sites are not harmful to the health of employees and visitors. The Corporation ensures that it is aware of current standards for contaminated site management by calling on external specialists. An external firm inspects the pits once a year to assess to what extent the groundwater is contaminated. A set of procedures must also be followed before any soil excavation is done.

105. We also found that the Corporation has identified the environmental risks associated with its activities and has set environmental objectives to achieve. Also, in keeping with its environmental management system, the Corporation must put in place programs to manage and treat each element of the system. We found that the Corporation has developed programs for key elements of the system, such as water quality, hazardous materials, fuel management, and the monitoring of marina-related activities. We also found that the Corporation has taken the necessary steps to minimize the impact of environmental incidents. Information on environmental incidents is sent to the Board of Directors in a bi-annual report. The appropriate authorities are also notified of these incidents.

106. Nevertheless, we encourage the Corporation to assess the environmental risks it has identified to determine which are the greatest risks. Doing such an assessment would allow the Corporation to ensure that the environmental objectives it has set for itself are based on the principal risks to which it is exposed.

Matters of Concern

107. This section outlines our concerns regarding the Corporation's management of travel and hospitality expenses, as well as certain systems and practices, and management decisions that were not always properly documented.

Travel and hospitality expenses

108. Corporation staff may be required to travel to perform their duties. Similarly, the Corporation can hold events to facilitate its business activities or as a matter of courtesy.

109. We wanted to see whether the Corporation had adopted effective monitoring and control mechanisms to determine whether travel and hospitality expenses were acceptable and whether they were managed in keeping with the applicable statute and policies. To that end, we examined the Corporation's relevant policies and procedures as well as the processes and controls that had been implemented.

110. The travel and hospitality expenses for the Corporation as a whole totalled on average around \$200,000 per year. We examined the travel and hospitality expenses that the President and CEO incurred during the 2006–07 to 2012–13 fiscal years, a sample of the travel and hospitality expenses that vice-presidents and directors incurred during

the 2010–11 and 2011–12 fiscal years, as well as those incurred by the Corporation’s Board of Directors during the 2009–10 to 2012–13 fiscal years.

111. Overall, we found that the Corporation needed to make major improvements to its systems and practices to ensure these expenses are managed properly.

The Corporation does not have a clear and complete policy on travel and hospitality expenses

112. The Corporation adopted a travel and hospitality policy for such expenses to establish rules concerning the eligibility and reimbursement of these types of expenses incurred by staff for professional purposes.

113. We examined the policy that is in place, and found that it gave claimants and decision makers a great deal of discretion. For example, we found that hospitality expenses and staff responsibility for them are not sufficiently defined or structured. The policy also does not address the purchase of alcoholic beverages consumed with a meal, although such purchase is common practice. Furthermore, the current policy sets out the authorizations needed based on kilometres travelled, so that few prior authorizations are needed. This policy also does not take into consideration the destination, purpose, or total cost of travel to determine whether an expense should be authorized beforehand. A clear and complete policy would identify situations where travel and hospitality expenses are acceptable and reasonable, and cases where authorization is required.

114. Furthermore, for transparency, the Corporation should require designated senior managers to disclose their travel and hospitality expenses on the Corporation’s website, as required by other government organizations. At the very least, the Board should be notified of the travel and hospitality expenses of each member of senior management.

115. **Recommendation.** The Corporation should review its policy on travel and hospitality expenses to improve the authorization, processing, reimbursement, and disclosure of these types of expenses.

The Corporation has responded. Agreed. The Corporation will update, by 31 March 2014, its hospitality and travel policies in order to better specify eligible expenses and define the approval, disclosure, processing, and reimbursement of these costs.

There are deficiencies in the processing of travel and hospitality expenses and in the related documentation

116. The implementation of key controls in an organization is essential for the sound management of expenses. First, expenses must be authorized beforehand to ensure that funds are available and that they will be spent for reasonable purposes. Steps must then be taken to ensure that the expense incurred by the claimant was for the specified purpose and is in keeping with the applicable policies and rules. The person who verifies this information must ensure that the claim is submitted with all supporting documents before authorizing the expenses. Finally, no payment should be made before a duly completed claim form is submitted. We found that some of management's travel and hospitality expenses were not reviewed properly because of weaknesses in the Corporation's practices.

117. We found that often, information and supporting documents were insufficient to determine whether some travel and hospitality expense claims were reasonable and whether the expenses incurred by the claimants were job related. For example, the Corporation does not require claimants to submit all the expenses they incurred on a trip on a single expense claim. As a result, staff who must approve the expenses incurred do not always have all the necessary documents or a complete view of the trip to determine whether the expenses are reasonable. This means that some expenses could be reimbursed twice or inappropriate expenses could be authorized. Although large amounts are not involved, we found that a few travel expense claims had been reimbursed twice. As a result of our observations, the Corporation asked the claimants concerned to return the overpayments. Also, several expense claims were supported only by transaction slips or the claimant's monthly credit card bill, which made it difficult to analyze the rationale for the reimbursement claimed.

118. Finally, we had to rely on subsequent explanations from management to determine whether certain travel and hospitality expenses were reasonable, because the Corporation was unable to provide us with complete documentation.

119. We also found other irregularities in travel and hospitality expense claims. The Corporation reimbursed a claimant for an overseas trip despite the fact that not all of the objectives of the trip identified beforehand were met. Given that not all of the expenses for this trip were incurred for the intended purposes, the value the Corporation received in exchange was debatable. The Corporation

also covered approximately \$3,500 in expenses so that certain Board members and their partners could attend a few events, namely a show, a meal, and a fundraising dinner for a public institution.

120. Recommendation. The Corporation should review its control and documentation procedures for the management of travel and hospitality expenses in order to ensure that expenses that claimants incurred are reasonable.

The Corporation has responded. Agreed. The Corporation will update, by 31 March 2014, its oversight procedures regarding hospitality and travel expenses.

Documentation of decisions and practices

121. Information is key to effective management in any organization. The Government of Canada adopted an information management policy that requires decisions and decision-making processes to be accompanied by all the necessary supporting documentation to ensure and support the organization's operational continuity and to allow for changes to be made to policies and programs, and allow for independent audits and assessments. Although the Corporation is not subject to this policy, these good practices should be followed by all organizations in the federal public administration.

There is room for improvement in the documentation of some management practices and decisions

122. Several times during our examination we found documentation lacking. For example, we found that the Corporation did not have a complete and documented analysis of the risks it was exposed to (see the **Strategic planning, risk management, performance measurement, and communication of results section**). Although we have noted improvements over the years, we found shortcomings in certain staffing files. Also, the documentation in certain harassment case files was incomplete (see the **Human resource management section**). We also found gaps when we examined files related to the Corporation's management of leases and concessions (see the **Operations section**). We recommended that documentation on project management be improved (see the **Asset management section**). Finally, we expressed our concerns about the fact that the Corporation often did not provide enough information and supporting documentation to determine whether certain travel and hospitality expense claims were reasonable (see the **Travel and hospitality expenses section**).

123. The Corporation's systems and practices and management's decisions should be based on complete, reliable, and accessible documentation rather than on staff knowledge. Better documentation would, among other things, reduce the risk of losing the Corporation's corporate memory as a result of staff turnover, and would enhance the efficiency, transparency, and accountability of management. Furthermore, proper documentation would show that management has met its responsibilities with respect to the Corporation's policies.

124. Recommendation. The Corporation should review its systems and practices to ensure that the decisions made and practices followed by management are based on all the necessary supporting documentation.

The Corporation has responded. Agreed. The Corporation will update its systems and practices by 31 March 2014 to ensure that decisions made by management are based on all the necessary supporting documentation.

Conclusion

125. We conclude that, based on our work during the special examination of the systems and practices of the Old Port of Montréal Corporation Inc., there is reasonable assurance that the systems and practices of the Corporation offered reasonable assurance that its assets were safeguarded and controlled, its resources were managed efficiently and economically, and its operations were carried out effectively.

126. Nonetheless, we have shared our concerns about travel and hospitality expenses and the documentation of management's decisions. Significant improvements should be made in these areas.

About the Special Examination

All of the audit work in this report was conducted in accordance with the standards for assurance engagements set by The Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

Objective

Under section 138 of the *Financial Administration Act* (FAA), federal Crown corporations are subject to a special examination once every 10 years. Special examinations of Crown corporations are a form of performance audit where the scope is set by the FAA to include the entire corporation. In special examinations, the Auditor General provides an opinion on the management of the corporation as a whole. The opinion for this special examination is found on page 5 of this report.

Special examinations answer the following question: Do the corporation's systems and practices provide reasonable assurance that its assets are safeguarded and controlled, resources are managed economically and efficiently, and operations are carried out effectively? A significant deficiency is reported when there is a major weakness in the Corporation's key systems and practices that could prevent it from having reasonable assurance that its assets are safeguarded and controlled, its resources are managed efficiently and economically, and its operations are carried out effectively.

Also, on 15 May 2012, on the recommendation of the Minister of Public Works and Government Services Canada, and pursuant to section 11 of the *Auditor General Act*, His Excellency the Governor General in Council asked the Auditor General to look into and report on the Old Port of Montréal Corporation Inc.'s human resource practices, travel and hospitality expenses, compensation and benefits, asset management, and leasing activities. This additional audit work included the 2006–07 to 2012–13 fiscal years. The findings from that additional work have been taken into account throughout this report.

Key systems and practices examined and criteria

At the start of this special examination, we presented the Corporation's audit committee with an audit plan that identified the systems and practices and related criteria that we considered essential to providing the Corporation with reasonable assurance that its assets are safeguarded and controlled, its resources managed economically and efficiently, and its operations carried out effectively. These are the systems and practices and criteria we used for examination.

These criteria were selected for this examination in consultation with the Corporation. They were based on our experience with performance auditing—in particular, with our special examinations of Crown corporations—and on our knowledge of the subject matter. Management reviewed and accepted the suitability of the criteria used in the special examination.

Key system and practice examined	Criteria
Corporate governance	To maximize its effectiveness and its ability to balance public policy objectives with its commercial objectives, the Corporation should have a well-performing corporate governance framework that meets the expectations of best practices for stewardship by the Board of Directors and shareholder relations.
Strategic planning, risk management, performance measurement, and communication of results	<p>The Corporation has clearly defined strategic direction and specific and measurable objectives to enable it to fulfill its statutory, commercial, and public interest mandates. Its strategic direction and objectives take into account government priorities and identified risks. The strategic direction and objectives also take into account the need to control and protect assets, and manage its resources economically and effectively.</p> <p>The Corporation should have a focus on risk. That focus should be persuasive at all levels of the Corporation and should support the fulfillment of its mandate, business goals and objectives. Risk should be identified, measured, mitigated, monitored, and reported in order to keep within a level appropriate to the nature of the business.</p> <p>The Corporation has specific performance indicators to measure the achievement of its mandate and statutory objectives. It also has reports that provide complete, accurate, timely, and balanced information for decision making and accountability reporting.</p>
Human resource management	Human resources are managed in a manner that provides the Corporation with the human resource capacity and the work environment it needs to achieve its goals and objectives.
Information technologies	The planning, development, implementation, and management of information technologies and information management systems support the organization's strategic and operational objectives, ensure business continuity, and satisfy information needs in a timely manner.
Operations	<p>The Corporation has operating procedures and safety systems and practices in place to ensure operational continuity as well as employee and public safety. These procedures, systems, and practices comply with statutes and regulations, and meet the needs of the clientele.</p> <p>The Corporation has programming, marketing, and development plans, systems, and practices in place for new products and services that are in keeping with its mandate, mission, vision, objectives, and goals. These plans, systems, and practices meet the needs of the market and are implemented effectively.</p>
Asset management	The Corporation has the plans, systems, and practices in place that allow it to acquire, maintain, modify, and replace material resources. It also has systems and practices in place to ensure sound management of the agreements it has signed with its main suppliers. The Corporation uses these plans, systems, and practices to ensure business continuity, meet its current and future needs, minimize the impact on the environment, and comply with environmental statutes.
Management of travel and hospitality expenses	The Corporation has adopted effective monitoring and control mechanisms to ensure that travel and hospitality expenses are managed in keeping with the applicable statute and policies.

Period covered by the special examination and additional audit work

The special examination covered the systems and practices that were in place between May and December 2011. However, to gain a more complete understanding of the significant systems and practices, we also examined certain matters that preceded the starting date of the special examination.

On 15 May 2012, on the recommendation of the Minister of Public Works and Government Services Canada, and pursuant to section 11 of the *Auditor General Act*, His Excellency the Governor General in Council asked the Auditor General to look into and report on certain human resource practices, travel and hospitality expenses, compensation and benefits, asset management, and leasing activities of the Old Port of Montréal Corporation Inc. This additional audit work included the 2006–07 to 2012–13 fiscal years.

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Appendix List of recommendations

The following is a list of recommendations found in the Special Examination Report. The number in front of the recommendation indicates the paragraph where it appears in the report. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
Strategic planning, risk management, performance measurement, and communication of results	
48. The Corporation should put in place a process for integrated risk identification, assessment, and monitoring, and report on it to the Board of Directors in order to manage the Corporation's risks in a more integrated manner. (43–47)	The Corporation's response. Agreed. The Corporation will proceed, during the period of 2013–15, to update the areas of risk assessed in 2007 and will develop an integrated risk management framework. The Corporation's audit committee will be informed of changes to this framework once a year.
Operations	
83. The Corporation should implement a rigorous and consistent process for assessing and selecting business proposals and negotiating leases in order to ensure that the agreements it enters into with concession holders are well managed. The Corporation should also develop a risk-based lease and concession oversight process to assess the concession holders' compliance with the clauses in their leases. (78–82)	The Corporation's response. Agreed. The Corporation will finish implementing a lease management system. At the same time, it will put in place quality control measures for concession holders regarding customer service and concession holders' compliance with their contractual obligations. This work will be completed by 31 March 2014.
87. The Corporation should develop a formal and detailed rotation plan for simulation exercises based on the risks with a view to putting into practice the most critical exercises in its emergency measures plan. (85–86)	The Corporation's response. Agreed. The Corporation recently created a record of prevention and protection simulation exercises. The Corporation will implement risk simulation exercises by 31 March 2014, and every two years afterwards. This record will be updated every five years.

Recommendation	Response
<p>Asset management</p> <p>102. The Corporation should review how it applies its project management framework to ensure that the documentation on each of its projects is easy to access, is complete, and is reliable. It should also document its projects during their entire life cycle instead of by fiscal year. (99–101)</p>	<p>The Corporation's response. Agreed. The Corporation will update its documentation system, classification system, and follow-up process for the project cycle by 31 March 2014</p>
<p>Travel and hospitality expenses</p> <p>115. The Corporation should review its policy on travel and hospitality expenses to improve the authorization, processing, reimbursement, and disclosure of these types of expenses. (112–114)</p> <p>120. The Corporation should review its control and documentation procedures for the management of travel and hospitality expenses in order to ensure that expenses that claimants incurred are reasonable. (116–119)</p>	<p>The Corporation's response. Agreed. The Corporation will update, by 31 March 2014, its hospitality and travel policies in order to better specify eligible expenses and define the approval, disclosure, processing, and reimbursement of these costs.</p> <p>The Corporation's response. Agreed. The Corporation will update, by 31 March 2014, its oversight procedures regarding hospitality and travel expenses.</p>
<p>Documentation of decisions and practices</p> <p>124. The Corporation should review its systems and practices to ensure that the decisions made and practices followed by management are based on all the necessary supporting documentation. (122–123)</p>	<p>The Corporation's response. Agreed. The Corporation will update its systems and practices by 31 March 2014 to ensure that decisions made by management are based on all the necessary supporting documentation.</p>