



Canadian Grain Commission
Commission canadienne
des grains



Audit of General Administration in the Grain Research Laboratory

**Canadian Grain Commission
Audit & Evaluation Services
Final Report**

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Canada

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1.0 Executive Summary

Authority for Audit

- 1.1 The mission of the Internal Audit function of Audit and Evaluation Services is to provide independent and objective assurance services designed to add value and improve the Canadian Grain Commission's operations. Internal Audit helps the Canadian Grain Commission accomplish its objectives by bringing a systematic, disciplined approach to assess and improve the effectiveness of risk management, control and governance processes.
- 1.2 The audit of the Grain Research Laboratory was included in the 2011-2012 Audit and Evaluation Services Risk-Based Audit Plan that was approved by the Commission following a recommendation by the Departmental Audit Committee in May 2011.
- 1.3 The audit was conducted from January to March 2012, with additional work completed in April, 2013. The audit consisted of interviews with Grain Research Laboratory Program Managers and management, as well as examination of protocols, policies and procedures, various Grain Research Laboratory planning worksheets and documents, and other Grain Research Laboratory records.

Background

- 1.4 Canada's grain quality assurance system is based on scientific research carried out in the Grain Research Laboratory. The Grain Research Laboratory division is comprised of two sections—Crops and Technology—and includes an administrative function. Along with the Director, the two Section Heads and the Manager of Administration form the Grain Research Laboratory Management Team.
- 1.5 The administrative function is responsible for providing administrative support to the Grain Research Laboratory programs. Some of the main administrative responsibilities include: coordinating and monitoring the budget; managing daily financial transactions, corporate travel and acquisition cards and contracts; arranging and monitoring travel and training; and overseeing staffing actions. Reporting directly to the divisional Director, the Manager of Administration also provides a communication bridge that helps the Director oversee the operation of the Grain Research Laboratory. Additional administrative activities are carried out by the Director and Section Heads.

Audit Objective

The objectives of this audit were:

- 1.6 To determine whether an adequate and appropriate financial control framework is maintained in relation to administrative operations in the Grain Research Laboratory division.
- 1.7 To determine whether the Grain Research Laboratory's asset management processes and controls provide for effective stewardship of the capital assets for which it has custodial and managerial responsibility.
- 1.8 To determine whether effective and efficient people management practices are in place within the Grain Research Laboratory.

The criteria related to the specific objectives and sub-objectives of the audit are contained in Appendix A – Audit Criteria.

Conclusion

- 1.9 As a core activity within the Canadian Grain Commission, the Grain Research Laboratory provides services to Canadians through two sections that include several science-based program areas. Supporting the scientific activities of the Grain Research Laboratory is a centralized administration function, led by the Manager of Administration, who reports to the Director of the Grain Research Laboratory. Strong processes and controls in the administration area are critical to the success of the Grain Research Laboratory. The audit determined that the controls and processes in the administration area are strong overall. While no significant impacts were noted, certain controls in the asset management and people management areas could be enhanced.
- 1.10 The following report contains recommendations to improve certain procedures and controls, the most notable of which are:
 - A strategy should be developed to implement the Canadian Grain Commission's policy on planning, managing and accounting for assets in the Grain Research Laboratory including establishing roles and responsibilities and physically verifying the existence of each asset on a regular schedule (refer to 3.32).
 - Communication and reconciliation of revenue contracts between Grain Research Laboratory and Finance should be enhanced to ensure that all contracts are appropriately documented and managed. (refer to 3.22).
 - A Threat and Risk Assessment should be performed to ensure that risks associated with the assets of the Grain Research Laboratory are mitigated (ref: 3.33).
 - The Performance Development and Achievement Program should be fully implemented throughout the Grain Research Laboratory (refer to 3.48).

Management has established appropriate action plans for each recommendation. Additional details on the results of the audit are contained in this report.

Statement of Assurance

- 1.11 In the professional judgment of the Chief Audit Executive, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the opinion provided and contained in this report. The opinion is based on a comparison of the conditions as they existed at the time, as described in the Audit Scope, against pre-established audit criteria. The opinion is applicable only to the entity examined. This audit engagement was planned and conducted to be in accordance with the Internal Auditing Standards for the Government of Canada.

Summary of Recommendations and Management Action Plans

- 1.12 The following is a summary of recommendations contained in this report with Management's action plans to address the topics identified:

| Reference | Recommendations | Management Action Plans |
|----------------------|--|---|
| Medium Impact | | |
| 3.22 | Since the audit work was completed, Finance published an updated policy on the revenue contract management process. We recommend that Grain Research Laboratory management ensure the policy is communicated to the program managers, emphasizing their responsibilities as outlined in the process document. The Grain Research Laboratory and Finance/Business Officer should establish a communication method and reconciliation mechanism to ensure all revenue contracts are appropriately documented and managed. | Finance is in the process of staffing a new EC-02 position who will be reporting with Accounting Operations. Policies will be reviewed, as well as roles and responsibilities, so as to ensure divisions have updated contract information on a timely basis. It is anticipated to have this position trained by March 2014. It is planned that a detailed record of all contracts will be kept and managed within Finance, and that timely notice will be provided to contract managers when a contract is nearing expiry (i.e. 3 months prior to expiry). This will facilitate reviewing the contract and having a new contract signed and in place if continued services are required. |
| 3.32 | We recommend that the Grain Research Laboratory, in collaboration with Finance, develop a strategy to implement the Canadian Grain Commission's policy on planning, managing and accounting for assets. A key component of the strategy should be the definition of the roles and responsibilities of all parties involved. It should also include a plan to ensure that capital asset accounting records are verified at least annually. The plan should include verification of the asset's location, an assessment of its current use, and identification of assets for disposal. | <p>Agree that a process needs to be in place. Grain Research Laboratory management will meet with the Finance division in September 2013 to develop a strategy.</p> <p>Timelines and processes will be determined by the end of the calendar year (in consultation with Finance).</p> <p>The Grain Research Laboratory will obtain an asset inventory from Finance in the fourth quarter of 2013-2014 to review and verify prior to commencement of next fiscal year.</p> |

| Reference | Recommendations | Management Action Plans |
|-------------------|---|--|
| 3.33 | We recommend that a Threat and Risk Assessment be performed by the Canadian Grain Commission Security Officer to ensure that the risks associated with the assets in the Grain Research Laboratory are identified and any required mitigating actions are taken. | Agree. The Grain Research Laboratory's Manager of Administration will contact the Security Office of the Canadian Grain Commission in September 2013 to set up a consultation. |
| 3.48 | We recommend that the Performance Development and Achievement Program process be completed for all Grain Research Laboratory staff. Management should encourage the creation of personal learning plans by emphasizing the direct link to the training plan, particularly for developmental training. Management should ensure the rationale involved in the selection and approval process for training requests is documented and communicated. | <p>Agree. More Performance Development and Achievement Programs were completed in 2012-2013 than in prior years. Performance Development and Achievement Programs are now to be completed by October each year. The cycle of Performance Development and Achievement Programs for the Grain Research Laboratory is August 1 to July 31.</p> <p>Managers will continue to encourage employees to complete personal learning plans. The Personal Learning Plans will continue to be linked to the Grain Research Laboratory's training plan. Managers will include training from an employee's Personal Learning Plans to the overall Grain Research Laboratory training plan. Approval is based on priorities of the division and budget. Managers are responsible to inform employees whether training was approved and why.</p> |
| Low Impact | | |
| 3.10 | We recommend that Grain Research Laboratory Management and Finance review the signing authority level for the Manager of Administration at the time of any future changes to the structure or responsibilities of the position. Changes in the position may affect the level of control currently being provided as a result of the signing authority level. | Agree. The Director will ensure that the signing authority level will be reviewed at the time of future changes to the structure or responsibilities of the position. |
| 3.49 | We recommend that Grain Research Laboratory management ensures all staff (including unpaid) are aware of their responsibilities regarding the protection of departmental information and assets, as well as their responsibilities regarding the Values and Ethics code while participating in research at the Canadian Grain Commission. | Agree. The Manager of Administration will meet with Employee Services Division by end of August 2013 to develop a process whereby all employees (including unpaid) are informed of their responsibilities. |

2.0 Audit Report

Background

- 2.1 The *Canada Grain Act* requires the Canadian Grain Commission to undertake, sponsor and promote research related to grains. The Canadian Grain Commission achieves this mandate through the activities of the Grain Research Laboratory. The Grain Research Laboratory supports the Canadian grain quality assurance system by researching methods to measure grain quality and safety, new quality and safety factors, and grain standards. The Grain Research Laboratory is comprised of two sections—Crops and Technology—as well as an administrative function. Along with the Director, the two Section Heads and the Manager of Administration form the Grain Research Laboratory Management Team.
- 2.2 The administrative function is responsible for providing support to the Grain Research Laboratory programs. Some of the main administrative responsibilities include: coordinating and monitoring the budget; managing daily financial transactions, corporate travel and acquisition cards, and contracts; arranging and monitoring travel and training; and overseeing staffing actions. Reporting directly to the divisional Director, the Manager of Administration also provides a communication bridge that helps the Director oversee the operation of the Grain Research Laboratory. Additional administrative activities are carried out by the Director and Section Heads.

Audit Objectives

The objectives of this audit were:

- 2.3 To determine whether an adequate and appropriate financial control framework is maintained in relation to administrative operations in the Grain Research Laboratory division.
- 2.4 To determine whether Grain Research Laboratory's asset management processes and controls provide for effective stewardship of the capital assets for which it has custodial and managerial responsibility.
- 2.5 To determine whether effective and efficient people management practices are in place within the Grain Research Laboratory.

The criteria related to the specific objectives and sub-objectives of the audit are contained in Appendix A – Audit Criteria.

Audit Scope

The audit included:

- 2.6 Review of policies, procedures, and current practices related to expenditures/financial management, budgeting, training and travel, revenue contracts, capital assets, and staffing/staff management within the Grain Research Laboratory.

-
- 2.7 Examination of reports, meeting minutes, and other documentation used to manage the administration of the Grain Research Laboratory.
- 2.8 Review and testing of judgmentally selected financial data related to the processes and procedures identified above.
- 2.9 Review and analysis of various reports, including tracking/monitoring documents related to the processes and procedures identified above.
- 2.10 Interviews with Grain Research Laboratory management and staff as well as interviews with staff of other divisions that provide support to the Grain Research Laboratory, such as Finance and Human Resources.
- 2.11 Samples were selected from the period of April 1, 2011 to February 29, 2012.

Approach and Methodology

- 2.12 The audit examination phase was executed in March and April 2012 and focused on selected administrative processes and their related activities within the Grain Research Laboratory. Additional work was performed in April, 2013. Procedures performed during the examination phase included:
- Review and analysis of a sample of various non-travel and non-salary expense transactions and the related supporting documentation.
 - Review and analysis of a sample of administrative processes, planning and reporting documents (internal and external to the Grain Research Laboratory) relating to budget formulation, capital asset management and people management processes.
 - Discussion with management and staff regarding various administrative processes, including management of: acquisition cards, petty cash fund, contracting revenue, capital assets, people planning, performance management, staffing, training, and leave.
 - Review of related Canadian Grain Commission and Treasury Board Secretariat policies, directives and guidelines.
- 2.13 At the conclusion of the examination phase, recommendations for management were developed in areas where opportunities for control improvements were identified. Recommendations in this report have been categorized to reflect their potential impact on the Grain Research Laboratory. The criteria established for determining the impact is outlined in Appendix B. The impact is indicated following the text of each recommendation.

3.0 Findings and Recommendations

Objective 1

To determine whether an adequate and appropriate financial control framework is maintained in relation to administrative operations in the Grain Research Laboratory division.

Budgets

- 3.1 The budget process is initiated in September or October, in order to be completed by February. Finance is responsible for the coordination of the budget process and provides an initial budget framework, timetable and various templates to assist divisions in submitting their budget requests. The divisions are responsible for preparing and entering their own budgets into the budget system. This allows each division to have control over its budget and provides the ability to monitor actual results against budgeted numbers. Finance is responsible for final reasonability analysis and review.
- 3.2 The majority of the Grain Research Laboratory's expenses are fixed costs, which are provided by Finance for the budget process. The program managers provide information regarding their planned staffing needs and various variable expenses, such as supplies and materials, professional services, and repairs and maintenance.
- 3.3 The audit determined that program or project managers with financial signing authority are clearly aware of their budget levels and responsibilities. They participate in the budget process and are supported by the Grain Research Laboratory divisional administration, which provides the linkage between the Director and each program.
- 3.4 Finance provides a salary budget template, which includes a list of current employees and related information, such as the employees' classifications and full-time equivalent status. The template also provides the salary levels, by classification, for the Grain Research Laboratory to use to forecast the salary budget. Although salaries are generally budgeted using the highest bracket or level, after re-profiling the variance to budget is relatively small (3.7% in 2011-2012).
- 3.5 The only centralized budget amounts are for training, conferences and duty travel. The Manager of Administration sends templates to all program managers requesting their unit's conference and training plans for the upcoming year. Program managers then complete the templates and prioritize the training and conference requests based on their staff's Personal Learning Plans and Performance and Learning Agreements and forward their plans to the management team. The management team makes the final decisions on which requests to approve based on pre-established criteria, which include considerations for cost, priority, mandatory courses and length of time of a course. For further discussion of training, please refer to 3.41.

Non-travel and non-salary expenditures

- 3.6 A financial control framework which includes delegation of authority, segregation of duties, financial coding and supportive documentation has been effectively implemented in the Grain Research Laboratory. The delegated signing authorities to approve and authorize expenditures relating to the Director's position have been appropriately delegated to lower level management positions.
- 3.7 For non-travel and non-salary variable expenses pertaining to the Grain Research Laboratory division a purchase order is created to capture all pertinent data. All purchase requests must be approved by delegates with signing authority. Procurement in Finance then exercises Section 34 of the *Financial Administration Act* to complete a purchase. We found the process of a purchase constitutes a good system of internal controls.
- 3.8 Program managers closely monitor their spending. Each of the managers interviewed enter every purchase order into a tracking spreadsheet which was up-to-date at the time of review. Once they receive their monthly statement of operations from Finance, they reconcile their spreadsheet to the Statement of Operations and investigate any variances. The Manager of Administration manages the overall budget, including allocating budget dollars by month based on anticipated expenditures. Expenditures vary widely throughout the year, so this planning step aids in the management of Grain Research Laboratory expenses. There is an increase in spending on non-salary expenditures for the last period of 2009-2010, 2010-2011, and 2011-2012. Because the budget is being closely managed throughout the year, any remaining funds are allocated to the programs, mainly for the purpose of ordering necessary lab supplies.
- 3.9 The Manager of Administration has financial signing authority for all Grain Research Laboratory collators regardless of the areas for which the position is responsible and accountable. A position's delegated signing authorities should be limited to the specific area for which the position is responsible. However, due to the current structure and operation of the Grain Research Laboratory Management Team, this arrangement provides a high degree of control that may not exist otherwise. To further mitigate any risks associated with the level of authority granted to the manager, Finance has placed restrictions on the manager's ability to sign for certain expenses.

Recommendation:

- 3.10 We recommend that Grain Research Laboratory Management and Finance review the signing authority level for the Manager of Administration at the time of any future changes to the structure or responsibilities of the position. Changes in the position may affect the level of control currently being provided as a result of the signing authority level.

(impact: low)

Acquisition Cards

- 3.11 Acquisition cards are the Canadian government's preferred method for purchasing low dollar value, low risk goods and services as they provide a simple method of procuring and paying for these types of transactions.
- 3.12 Acquisition cards allow employees to charge purchases for which full payment is made by the Canadian Grain Commission to the card provider. The statements are verified monthly by the cardholder. The card itself is stored in a locked drawer in the cardholder's office.
- 3.13 For the audit testing period there was one card in use to purchase computer software and software maintenance that relates to the Image Analysis/Spectroscopy Program. These purchases were appropriately approved by authorized Information Technology staff. The quality of documentation in the cardholder's files relating to individual transactions was sufficient and supported by an invoice and a credit card slip. All sampled transactions reviewed were coded correctly and no Provincial Sales Tax was paid on taxable purchases. There were no unusual or improper transactions noted in the sample reviewed.
- 3.14 The acquisition card tested is no longer in use in the Grain Research Laboratory. The Grain Research Laboratory administrative unit has been provided with two new cards used for ordering office supplies only. This low-risk area is monitored closely by Finance.

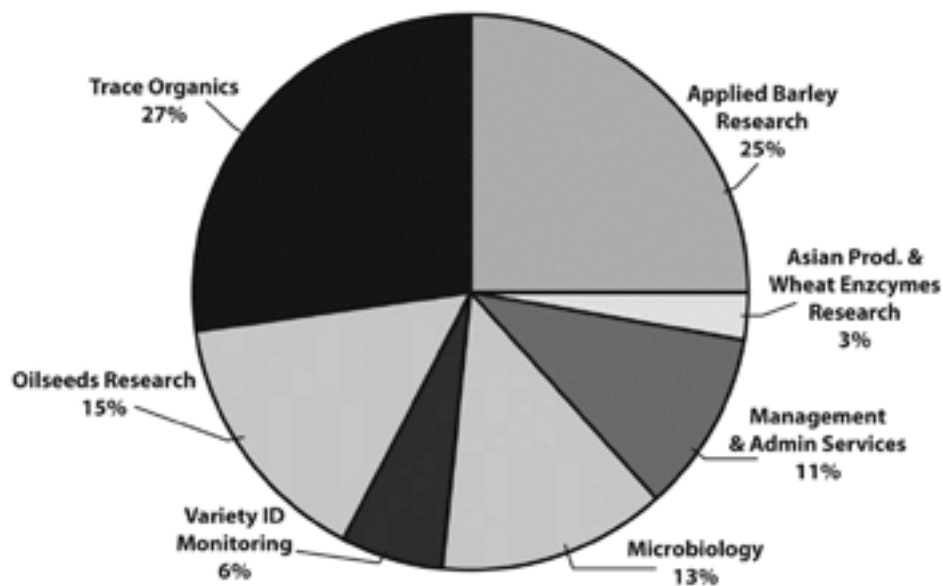
Petty Cash process

- 3.15 Petty cash funds are used to make low-value purchases only when it is more cost-effective than other payment methods, such as the acquisition card. Annually, divisions are required to report petty cash balances to Finance. In addition, a standing advance certificate is required, where vouchers coded with appropriate delegated authority and cash available are recorded. Both the custodian and the Director must sign off.
- 3.16 The Grain Research Laboratory has a petty cash fund which is mainly used for purchases under \$40. The custodian of the fund is the Manager of Administration. Our analysis of the petty cash replenishment history for the audit period indicated that the petty cash fund is currently replenished approximately seven times per year. The division is able to meet its petty cash needs with an amount of \$200.
- 3.17 The petty cash balances are properly reported and reflected in the Canadian Grain Commission's financial system. At the time of testing, the cash in the fund plus receipts equaled the authorized fund balance.

Contract Revenue

- 3.18 The Grain Research Laboratory generates revenue from non-regulatory services it delivers when requested by stakeholders. The Canadian Grain Commission Business Officer in Finance facilitates Grain Research Laboratory's contract management; the Grain Research Laboratory itself has little involvement. The Business Officer provides the signed contracts to the responsible program managers and Accounting Operations in Finance, who manage invoicing and collections as per the terms stated in the contracts.
- 3.19 For the audit scope period, the Grain Research Laboratory generated \$300,000 in revenue from non-regulatory services it delivered. As illustrated in Chart 1, the largest sources of revenue are Trace Organics (27%) and Applied Barley Research (25%). Management and Administrative Services earns revenue from rental of laboratory space to a third party.

Chart 1 – Sources of GRL Revenue



- 3.20 The program managers interviewed were aware of the amount of revenue and the provided services that their programs generate. They use tracking sheets that split tasks and subtasks based on the contracts to ensure the accuracy and completeness of invoicing. Each program manager provides billing information according to his/her program's contracts to Finance every month, and takes sufficient steps to fulfill obligations stated in the agreements.
- 3.21 However, we identified gaps in the ongoing communication between the Business Officer and the Grain Research Laboratory program managers. For example, a significant three-year project was not on the Business Officer's contract listing. As well, some program managers were not aware of the lists of agreements maintained by the Business Officer. Joint effort between the Business Officer and Grain Research Laboratory's program managers, including a reconciliation process, is essential in ensuring proper controls over contract creation, and that contract obligations are being fulfilled, revenues are properly received and are accurately recorded.

Recommendation:

- 3.22 Since the audit work was completed, Finance published an updated policy on the revenue contract management process. We recommend that Grain Research Laboratory management ensure the policy is communicated to the program managers, emphasizing their responsibilities as outlined in the process document. The Grain Research Laboratory and Finance/Business Officer should establish a communication method and reconciliation mechanism to ensure all revenue contracts are appropriately documented and managed.

(impact: medium)

Objective 2

To determine whether Grain Research Laboratory's asset management processes and controls provide for effective stewardship of the capital assets for which it has custodial and managerial responsibility.

- 3.23 The Canadian Grain Commission's policy on Planning, Managing and Accounting for Assets indicates managers are responsible for following the life cycle approach for the acquisition and management of assets. Life cycle asset management refers to the effective and efficient management of assets from "cradle to grave" including planning, acquisition, operation and use, asset control and disposal. As well, managers are responsible for ensuring that capital assets are appropriately accounted for in the department's financial statements.
- 3.24 The Grain Research Laboratory has developed a long term (5-year) capital asset investment plan as well as a 3-year capital plan. The plans were developed based on input received from each of the program managers and were approved by the Grain Research Laboratory management team. The capital asset plans are reviewed annually as part of the annual budget formulation process. While the costs associated with the purchase of the capital assets, such as purchase price, set up fees, shipping, training, as well as the amortization costs, are reasonably estimated, a number of cost considerations which would support the life cycle management approach are not documented. For instance, the investment plan does not discuss expected useful life of the assets or an estimate of the on-going costs associated with the asset (operating costs, maintenance, and repairs), which would improve planning.
- 3.25 All capital procurement at the Canadian Grain Commission must be submitted to the Procurement Review Board. All submissions to the Procurement Review Board must be pre-approved by the Grain Research Laboratory Director for content, program priority, fund availability, and alignment to departmental plans. The Manager of Administration is a member of the Procurement Review Board.
- 3.26 Grain Research Laboratory's capital planning is consistent with program needs; however, it has been restricted in its capital asset purchases due to resource constraints and unknown availability of funding for the Canadian Grain Commission overall (Chart 2). The majority of the capital asset purchases made in the fiscal year ending March 31, 2012 were funded through re-profiling, which took place in November. In order to receive new assets by the end of the fiscal year, Grain Research Laboratory could only purchase items under \$25,000 or on standing offer, not necessarily the most highly prioritized items, which can take a year or more to procure. As a result, ten of the sixteen assets purchased through the re-profiled dollars were not included in the capital asset plans of the Grain Research Laboratory (Chart 3).

Chart 2 - GRL Capital Asset Spending History

| Asset type | 2012 | 2011 | 2010 | 2009 |
|------------------------|---------|---------|-----------|---------|
| Scientific Equipment | 259,050 | 498,358 | 1,413,615 | 763,856 |
| Operational Equipment | 188,496 | 21,741 | 0 | 20,800 |
| Computer Equipment | 0 | 0 | 36,355 | 0 |
| Leasehold Improvements | 0 | 0 | 13,106 | 0 |
| Total Capital Assets | 447,546 | 520,098 | 1,463,075 | 784,656 |

Note 1: YTD Actual contains purchases only, excludes disposals.

Chart 3 - 2011-2012 Grain Research Laboratory Capital Assets Analysis

(Excluding the Montreal Lab capital investment and leasehold improvements)

| | <u>Submitted Budget</u> | <u>Re-profiled</u> | |
|---|-------------------------|--------------------|---|
| # of Assets | 24 | 16 | |
| Budgeted costs | \$2,473,700 | \$407,534 | |
| Assets purchased that were included on the submitted budget request | | | 4 |
| Assets purchased that were included in the 3 or 5 yr plans, but not prioritized for budget submission | | | 2 |
| Assets replaced as Mission Critical | | | 3 |
| Value cost of mission critical assets | | \$105,110 | |
| Number of assets, besides mission critical, that had a cost greater than \$25,000 | | | 0 |

- 3.27 The balance of the capital assets purchased during the 2012 fiscal year were mission critical purchases with funding coming from the division's operating budget. However, since the audit work was completed, the Grain Research Laboratory has been able to substantially complete Year 1 of its capital plan, as well as purchase additional items from the long term plan or items that became priorities throughout the year.
- 3.28 We expected that processes were in place to ensure that capital assets are safeguarded, thus reducing the opportunity for loss or theft. The program manager is notified once the purchased asset is received and then takes responsibility for the item. Finance assigns an inventory number, records the purchase in its inventory records, updates the financial system, pays the invoice and files the original documentation related to the purchase. The program manager will know how, and when, an asset is recorded by reviewing their capital assets recorded in the financial statements.
- 3.29 Grain Research Laboratory's capital asset plans are not updated with the asset's tracking information once received, so there are no complete asset records in the Grain Research Laboratory. The records that are available, accounting records from the financial system, have not been verified since 2009. Identifying individual assets is difficult since the accounting records use non-standard names (based on the description on the purchase requisition) to describe the assets, which does not always coincide with the descriptions used in the Grain Research Laboratory. According to Canadian Grain Commission's policy on Planning, Managing and Accounting for Assets, Grain Research Laboratory's managers are responsible for ensuring that capital assets are appropriately accounted for in the department's financial statements. Periodically verifying the asset inventory is an important step in this process.

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- 3.30 The Grain Research Laboratory has recently completed an inventory of its physical assets for another government department. This was done independently of Finance and does not list the inventory numbers; nor was there any reconciliation to Finance records. Finance is in the process of implementing its Procurement Business Plan to address previously identified gaps in the asset management area, and is not currently in the position to support the full asset life-cycle management framework. In the meantime, the Grain Research Laboratory should take responsibility for verifying assets and for ensuring surplus assets are identified.
- 3.31 Physical access to the labs themselves is not any more restrictive than access to the floor and laboratory doors are generally left open. Considering the value of capital and other assets in the Grain Research Laboratory, as well as the portability of some of the items, more restrictive access limitations may be required to ensure adequate controls are in place. This should be determined by the Security Officer and Grain Research Laboratory management.

Recommendations:

- 3.32 We recommend that the Grain Research Laboratory, in collaboration with Finance, develop a strategy to implement the Canadian Grain Commission's policy on planning, managing and accounting for assets. A key component of the strategy should be the definition of the roles and responsibilities of all parties involved. It should also include a plan to ensure that capital asset accounting records are verified at least annually. The plan should include verification of the asset's location, an assessment of its current use, and identification of assets for disposal.

(impact: medium)

- 3.33 We recommend that a Threat and Risk Assessment be performed by the Canadian Grain Commission Security Officer to ensure that the risks associated with the assets in the Grain Research Laboratory are identified and any required mitigating actions are taken.

(impact: medium)

Objective 3

To determine whether effective and efficient people management practices are in place within the Grain Research Laboratory.

People Planning

- 3.34 The Canadian Grain Commission has developed a People Management Framework which provides direction and focus for the Canadian Grain Commission by setting out strategies for meeting the needs of employees. The Canadian Grain Commission-wide People Plan details initiatives and activities that support the organization in achieving its desired people management outcomes (leadership, productive workforce, sustainable workforce and enabling work environment). The goal of people planning initiatives is to ensure that the Canadian Grain Commission is able to attract, develop and retain sufficiently qualified human resources.
- 3.35 People planning plays a key role in helping the Grain Research Laboratory to achieve its objectives. The Grain Research Laboratory's people plan for 2011-2012 was developed with input from the management team, program managers and the Grain Research Laboratory's Human Resources Champion and is linked to Canadian Grain Commission's People Management Framework and Grain Research Laboratory's Strategic Plan. The plan identifies people gaps or maintenance needs and the planned approaches to address the gaps. The management team reviews the status of the planned implementations and reports the results achieved to Human Resources quarterly.
- 3.36 Grain Research Laboratory's 2011-2012 people plan identifies six key areas where people gaps or maintenance needs exist and 27 planned activities to address the identified gaps or needs. The planned activities focus on performance management, learning and development, and staffing initiatives. The final status report for the year indicated that 78% of the planned activities were either completed, in-progress or were cancelled.

1. Performance Management

- 3.37 Effective performance development and achievement is an important initiative within the People Management Framework. It connects to other Canadian Grain Commission initiatives including competencies, performance measures and people planning. The Performance Development and Achievement Program in the Grain Research Laboratory encourages managers, supervisors and employees to ensure that the work they do, and how they do it, supports the Grain Research Laboratory and the Canadian Grain Commission in successfully achieving its strategic business and people outcomes.
- 3.38 The Grain Research Laboratory has developed generic performance and learning agreement templates for each of the positions in the Grain Research Laboratory. Employees of the Grain Research Laboratory can choose to use the pre-established performance and development objectives that relate to their role or they can develop their own. We reviewed a sample of the developed performance and learning agreements within the Grain Research Laboratory and found that the objectives established generally included targets which were specific, measurable, attainable,

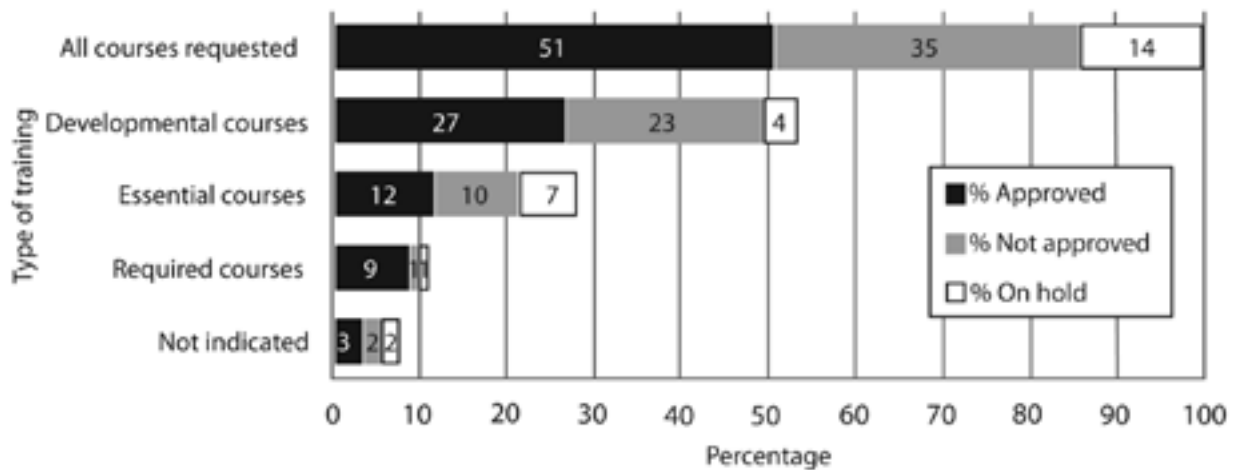
results-oriented and time bound. The core competencies of Canadian Grain Commission were also incorporated.

- 3.39 Successful implementation of the Performance Development and Achievement Program was an identified maintenance need in the Grain Research Laboratory's people plan. The activities identified to address this gap are either complete or in-progress. Grain Research Laboratory administration has been monitoring progress on the Performance Development and Achievement Program; specifically, all completed performance and learning agreements and personal learning plans are tracked by the Manager of Administration after the Director reviews the completed forms. Additionally, performance is managed by supervisors with their employees.
- 3.40 At the time of testing, Grain Research Laboratory's most recent completed Performance Development and Achievement Program period was August 2010 to July 2011. Eight months after this period ended, the Grain Research Laboratory's performance appraisal record indicated that just over half (56%) of the employees had completed the Performance Development and Achievement Program, and 77% of these included personal learning plans. However, overall, only 43% of Grain Research Laboratory employees had completed personal learning plans. We had expected that by the third quarter, most of the Grain Research Laboratory employees would have had completed the Performance Development and Achievement Program since it was an identified gap or maintenance need in the People Plan.

2. Learning and Development

- 3.41 The Grain Research Laboratory's People Plan for 2011-2012 addressed Grain Research Laboratory's need to support learning and development (in addition to conferences and duty travel, which are distinct from this type of training). To ensure the most efficient use of funds available to accommodate a large staff, the Grain Research Laboratory has implemented the unique practice of developing an annual centralized training plan. The final training plan is based on the cost of the training, length and timing of the training, whether the training is essential to the performance of duties or if the course is required learning by the Canadian Grain Commission or Treasury Board.
- 3.42 To create the plan, program managers are asked for their team's training needs for the upcoming year. The supervisor or manager prioritizes training needs for his/her unit, identified as E-essential; R-required; or CD-career development. The individual submissions are compiled by the Manager of Administration. The management team reviews and determines which courses will be approved, taking into consideration the allocated training budget.
- 3.43 If a required or essential training opportunity becomes available that was not included in the overall approved plan, the request will be forwarded to the management team for approval if there are available training dollars in the budget.

Chart 4 – GRL 2011-2012 Training Plan Analysis



- 3.44 Analysis of the centralized training plan for 2011-2012 showed that just over half of the training requests were developmental in nature and just over half of these requests were approved (Chart 4). We expected that the developmental training requested was linked to an employee's personal learning plan, as this is one of the planned activities to address the identified gap of "recruit, develop and retain highly qualified technical staff" in the People Plan. However, some of the staff who had courses approved did not have a personal learning plan. Because the Performance Development and Achievement Program and personal learning plan processes have yet to be fully implemented in the Grain Research Laboratory (see 3.40), the link to the approved training plan is ambiguous. Since some training was approved without personal learning plans, the criteria, guidelines and rationale behind the decision making process may not clear be clear to some employees.

3. Staffing

- 3.45 Grain Research Laboratory's staffing needs or gaps for the upcoming year are identified through the people planning process. Various processes are used by the Grain Research Laboratory to complete staffing actions. Examples of hiring processes include: internal and external competitive processes, advertised and non-advertised, appointments from pre-established pools, acting, casual, term, and co-op program.
- 3.46 We expected that a majority of the planned actions to address the identified staffing related needs or gaps to have been completed at the time of the audit. Almost all of the hiring needs identified in the People Plan were completed while other identified staffing related gaps, such as succession planning and maintenance of collective pools, had been started.
- 3.47 We expected that students and other staff hired on a temporary basis were informed of their responsibilities towards the safeguarding of government information and assets under their control. We were advised that only students, terms and indeterminate employees sign an oath of employment on their first day of work. The oath includes a statement to not "...disclose or make known any matter that comes to my knowledge by reason of such employment." These employees also acknowledge the Values and Ethics

Code in their letters of offer. Non-salaried employees, such as a Masters of Science student from the University of Manitoba working at the lab a few days a week, are not administered an oath of employment, nor are asked to acknowledge and abide by the Values and Ethics code while at the Canadian Grain Commission. While no disclosure incidents were noted during the period under review, there is an opportunity to improve controls over the safeguarding of sensitive information in the Grain Research Laboratory.

Recommendations:

- 3.48 We recommend that the Performance Development and Achievement Program process be completed for all Grain Research Laboratory staff. Management should encourage the creation of personal learning plans by emphasizing the direct link to the training plan, particularly for developmental training. Management should ensure the rationale involved in the selection and approval process for training requests is documented and communicated.

(impact: medium)

- 3.49 We recommend that Grain Research Laboratory management ensures all staff (including unpaid) are aware of their responsibilities regarding the protection of departmental information and assets, as well as their responsibilities regarding the Values and Ethics code while participating in research at the Canadian Grain Commission.

(impact: low)

Leave

- 3.50 The Canadian Grain Commission has established leave management guidelines as an additional resource for both managers and employees to support the application, management and administration of leave across the Canadian Grain Commission. It is the supervisor's responsibility to manage leave requests in his/her unit. Most types of leave requests are submitted electronically in PeopleSoft. Human Resources provides monthly leave reports to the supervisors or managers for the staff in their area of authority to assist in the administration of leave. For example, if an employee has a vacation balance of over 35 days, the supervisor is instructed to meet with the employee to develop a plan to use the excess leave before year-end.
- 3.51 We expected employee leave requests to be approved and administered in accordance with the Canadian Grain Commission's Leave Management Guidelines, the collective agreements or Terms and Conditions of Employment and Treasury Board policies. Through our discussions with various program managers and the Manager of Administration, it was determined that managers and supervisors in the Grain Research Laboratory have a good understanding of the leave provisions in the various collective agreements and leave requests are appropriately managed and monitored.
- 3.52 Overtime entitlements, including overtime incurred while traveling, are administered in accordance with the various collective agreements. The collective agreements for a majority of the positions in the Grain Research Laboratory do not allow for overtime to travel to courses, training sessions, conferences and seminars. When overtime is

incurred, it is compensated in cash or leave, with authorization by the manager. Claims are signed by employees and supervisors. The requests for time in lieu of pay were submitted to Employee Services to update Peoplesoft and then passed to Compensation. There were no concerns noted with the overtime process.

We express our appreciation to Grain Research Laboratory staff and management for their assistance during the course of this audit.

This audit has been reviewed with:

P. Burnett, Director, Grain Research Laboratory

Audit & Evaluation Services Contact

B. Brown, Chief Audit Executive

Appendix A – Audit Criteria

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| Audit Objective #1: To determine whether an adequate and appropriate financial control framework is maintained in relation to administrative operations in the Grain Research Laboratory division. | Audit Criteria #1: The activities, schedules and resources needed to achieve objectives have been integrated into the budget. |
| | Audit Criteria #2: A formal process is in place to challenge the assumptions and related resource allocations within the budget. |
| | Audit Criteria #3: A timely budget is developed at the appropriate level of detail. |
| | Audit Criteria #4: Budget, actual and forecasts are properly monitored and communicated on a regular basis. |
| | Audit Criteria #5: Expenditures are authorized, prudent and related to government business. |
| | Audit Criteria #6: Expenditures have been properly reviewed, coded and approved in a time basis. |
| | Audit Criteria #7: Contract revenues are validated collected in a timely manner and are in compliance with the terms and conditions of the contracts. |
| Audit Objective #2: To determine whether Grain Research Laboratory's asset management processes and controls provide for effective stewardship of the capital assets for which it has custodial and managerial responsibility. | Audit Criteria #8: The development, acquisition, improvement, employment and disposal of assets are properly authorized and approved, and based on specific program requirements. |
| | Audit Criteria #9: The costs associated with a capital purchase over its entire life are reasonably estimated. |
| | Audit Criteria #10: Policy on planning, managing and accounting for assets is clearly communicated to different management levels. |
| Audit Objective #3: To determine whether effective and efficient people management practices are in place within the Grain Research Laboratory | Audit Criteria #11: All capital assets in Grain Research Laboratory are appropriately safeguarded. |
| | Audit Criteria #12: Grain Research Laboratory's divisional people plan ensures that the right number of people with the required skills, experience and competencies are or will be in place. |
| | Audit Criteria #13: Grain Research Laboratory Management ensures fair and equitable access to learning and development activities. |
| | Audit Criteria #14: Grain Research Laboratory Management has developed a training plan which identifies operational training priorities based on the division's vision and objectives and allocated resources. |
| | Audit Criteria #15: Employee leaves are approved and administered in accordance with the applicable directive and Canadian Grain Commission policy. |
| | Audit Criteria #16: All staff employed on an indeterminate, term, student, or casual basis are informed of their responsibilities for the safeguarding and protection of government information. |

Appendix B – Impact of Recommendations

The following categories have been applied to each recommendation within this report. Categories are defined as follows:

High

Recommendation:

- Will improve management controls or control environment for the overall program, process, area, division, etc.
- May take considerable effort to implement within the operational environment or may involve a significant change
- May have a significant financial impact
- Likely results in assumption of a substantial risk if *not* implemented (example: decreased efficiency, higher risk of errors, lost cost savings opportunities)

Medium

Recommendation:

- Will improve management controls in that area
- Will improve efficiency or effectiveness of operations in that area
- Is not likely to require a significant effort to implement
- May have some financial impact; could be a less significant item that could accumulate over time to create a larger impact

Low

Recommendation:

- Promotes a good management practice
- Likely improves day-to-day work experience
- Likely requires minimal effort to implement
- Will have limited financial or operational impact