



Canadian
Heritage

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Canada



Audit of the Governance and Strategic Directions

Office of the Chief Audit and Evaluation Executive
Audit and Assurance Services Directorate

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Executive Summary

Introduction

Canadian Heritage (PCH) plays a vital role in the cultural and civic life of Canadians. PCH promotes culture, the arts, heritage, official languages, citizenship and participation, Aboriginal, youth, and sport initiatives. The Canadian Heritage Portfolio comprises the department, nine Crown Corporations and five agencies, four independent organizations that report to Parliament through PCH and one administrative tribunal. For 2007-08, PCH's main estimates budget (gross) was \$1,368.2(M). This covered seven program activities¹ and a total full time equivalent (FTE) of 2,300. PCH also maintains strong relationships with other federal departments such as Citizenship and Immigration Canada, Health Canada, Industry Canada, Foreign Affairs and International Trade, and Human Resources and Social Development Canada, to address shared objectives and priorities.

The PCH portfolio is the responsibility of the Minister of Canadian Heritage and Official Languages and assisted by the Minister of State (Sport) and the Minister of State (Status of Women). The Ministers and the Department's senior management team are accountable for the Department's progress. The Deputy Minister and Associate Deputy Minister are jointly responsible for achieving the Department's strategic outcomes with the support of the Assistant Deputy Ministers and other departmental staff.

The objective of the audit was to determine whether governance and strategic directions controls in PCH were appropriately designed and effectively implemented to support the achievement of the Department's policies and objectives.

Over the past year, changes have been made to the Department's governance structure. In part, these changes are in response to the *Federal Accountability Act*, passed in December 2006, and are designed to strengthen accountability and management of departments and agencies. The Department's internal governance structure consists of three levels of committees. Their roles and responsibilities vary in accordance with their Terms of Reference

The Department of Canadian Heritage has a Program Activity Architecture (PAA) that sets out the key Strategic Outcomes on which programs and activities of the Department are focused. The PAA was revised in 2008 and updated. Having received TBS approval, the revised PAA is expected to be implemented April 1, 2009 with three Strategic Outcomes and eight Program Activities. Overall responsibility for Strategic Directions within PCH rests with the Deputy Minister. However, the Assistant Deputy Minister for Planning Corporate Affairs has responsibility for updating the PAA and defining the integrated planning approach for the Department.

¹ For 2007-08, program activities included: creation of Canadian content and performance; sustainability of cultural expression and participation; preservation of Canadian heritage; access to Canada's culture; promotion of inter-cultural understanding; community development and capacity building; and participation in community and civic. Source: PCH – 2008-09 Report on Plans and Priorities.

Key Findings

Based on the audit work carried out, the audit team concluded that the controls related to Governance and Strategic Directions at the strategic level are appropriately designed to support the achievement of the Department's policies and objectives. To arrive at this conclusion, the audit team extended the timeframe of the audit (April 1, 2006 – March 31, 2008) to include April 2008 – August 2008, in order to include significant change events that occurred in the latter part of the audit timeframe.

One of these changes was the newly revised PAA that will be implemented as of April 1, 2009. The stability of the Department's PAA was one of the criteria for this audit.

The audit team did not conclude whether these controls are effectively implemented. The audit team found that in many areas that some effort will be required before implementation is complete. The audit team suggests that the audit's objective regarding implementation be addressed within the next two years when sufficient experience with the new controls has been demonstrated.

The scope of PCH's mandate, programs and interdependencies makes governance and strategic directions a challenging element to manage. Key findings from this audit are summarized below:

Governance

- During 2008, PCH updated its PAA/Performance Management Framework (PMF). The renewal of the PAA was approved by Treasury Board for implementation in April 2009. PCH will need to continue to monitor the application of this new PAA and PMF structure to assure that it meets departmental needs.
- The Corporate Secretariat is responsible for overseeing accountability arrangements, including the committee structure which is still maturing. Important components of PCH's governance mechanisms are still evolving, and processes are becoming more formalized.
- A three-tier committee structure was initiated in April 2006 and formalized in 2007 to strengthen governance and assist the Department in being more proactive in terms of rigour, concreteness and to clarify the link between business and people management goals. PCH's committee structure is still maturing. Not all committees have consistently produced agendas, minutes or records of decisions during the audit timeframe. These occurrences were more frequent in the early stages of the new governance structure and seemed to be getting resolved in the second quarter of the 2008/09 fiscal year. The relationships and flows of information between these committees have yet to be formalized and finalized.
- Changes are currently being made to the Terms of Reference and membership of the level 3 Policy Committee. Once these changes are made, PCH will need to determine how effectively this committee contributes to strengthening priority-

setting, horizontal policy development, and stakeholder relationships in the Department.

- Information is now shared bilaterally through both formal and informal debriefings; however, it is not formalized within PCH's governance process.
- The Chief Audit and Evaluation Executive has conducted an assessment of PCH's Internal Audit practices against IIA standards. Although improvements are still required, most recommendations have been implemented.

Strategic Directions

- PCH has instituted a strategic planning process resulting in risk-based Branch business plans that reflect each Branch's external environment, risks, priorities and organizational impacts. The planning and business priorities process was instituted in Fiscal Year (FY) 2007-08 with further modifications developed in 2008, to be implemented for the FY 2009/10 planning cycle. However, PCH still does not have an overall corporate strategic plan or a fully developed risk-based corporate plan which incorporates the newly developed corporate risk profile and the newly developed PAA.
- Branch business plans are available to all employees. Call letters and a calendar are released to all Branch heads indicating the Branch business plan process key dates and deliverables. A 'place mat' tool which highlights components of the 'calendar' was implemented in May 2008 and has been regarded as a highly effective communication tool as it outlines the planning process and the linkages to the evolving PAA/PMF process.
- As the PAA/PMF was renewed in FY 2007-08, PCH has a new PAA/PMF effective April 1, 2009. However, clarity of connection to overall Branch results/performance is still evolving.
- Performance Management Agreements with the executive group at PCH follow mandatory MAF criteria. However, direct linkages from a strategic planning perspective to PCH's overall strategic outcomes for FY 2007-08, PAA/PMF performance measures, or RPP/DPR are not clear.
- PCH has developed a planning function supported by an established process which addresses core business requirements. Refinements continue to be made on the alignment between the Departmental strategic outcomes/priorities and supporting plans through the revised PAA/PMF. However, clarity of connection to overall Branch results/performance is still evolving.

Recommendations

1. The Corporate Secretary should strengthen PCH's corporate governance structure by putting in place a policy to ensure that all decisions and directives originating from all committees are properly documented, and that these decisions and directives are formally communicated within the corporate governance structure and to the entire Department, as necessary
2. The Director General, Strategic Policy, Planning and Research Branch, should continue to develop the strategic planning process, to ensure that it is aligned with the strategic outcomes identified in the newly updated PAA, is supported by a fully developed and implemented Performance Management Framework and is reflected in an overall Strategic Plan for PCH

Statement of Assurance

In my professional judgment as Chief Audit and Evaluation 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, against pre-established audit criteria that were agreed to with management. The opinion is applicable only to the entity examined and within the scope described herein. The evidence was gathered in compliance with Treasury Board policy, directives, and standards on internal audit and the procedures used meet the professional standards of the Institute of Internal Auditors. Sufficient evidence was gathered to provide senior management with the proof of the opinion derived from the internal audit.

Audit Opinion

In my opinion, the Governance and Strategic Directions for Canadian Heritage has moderate issues requiring management focus, as control weaknesses were identified and confirmed, but risk exposure is limited because the likelihood of events with adverse consequences occurring is not high at this time.

Original signed by:

Vincent DaLuz

Chief Audit and Evaluation Executive
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1. Introduction and Context

Canadian Heritage (PCH) is responsible for formulating policies and delivering programs that help all Canadians to participate in their shared cultural and civic life. It is Canada's culture ministry, created in 1993 from components of former departments responsible for communications, national health and welfare, multiculturalism and citizenship, the environment, and the Secretary of State. There have been some changes to these components since that year.

The Canadian Heritage Portfolio, which includes the Department of Canadian Heritage and major national cultural institutions, plays a vital role in the cultural and civic life of Canadians. PCH works to promote culture, the arts, heritage, official languages, citizenship and participation, Aboriginal, youth, and sport initiatives. For 2007-08, PCH's main estimates budget (gross) was \$1,368.2(M). This covered seven program activities² and a total full time equivalent (FTE) of 2,300.

The PCH portfolio is the responsibility of the Minister of Canadian Heritage and Official Languages and assisted by the Minister of State (Sport) and the Minister of State (Status of Women). The Ministers and the Department's senior management team are accountable for the Department's progress. The Deputy Minister and Associate Deputy Minister are jointly responsible for achieving the Department's strategic outcomes with the support of the Assistant Deputy Ministers and other departmental staff.

Over the past year, changes have been made to the Department's governance structure. In part, these changes are in response to the *Federal Accountability Act*, passed in December 2006, and are designed to strengthen accountability and management of departments and agencies. As depicted in appendix "B", the Department's internal governance structure consists of three levels of committees. Their roles and responsibilities vary in accordance with their Terms of Reference

The Department of Canadian Heritage has a Program Activity Architecture (PAA) that sets out the key Strategic Outcomes on which programs and activities of the Department are focused. For 2007-08, the PAA consisted of two Strategic Outcomes with seven Program Activities. In addition to the PAA, the Department utilized a Performance Management Framework and adopted an Integrated Planning Strategy to coordinate and support its overall planning and reporting activities. The PAA was revised in 2008 and updated. Having received TBS approval, the revised PAA is expected to be implemented April 1, 2009 with three Strategic Outcomes and eight Program Activities. Overall responsibility for Strategic Directions within PCH rests with the Deputy Minister. The Assistant Deputy Minister for Planning Corporate Affairs has responsibility for updating the PAA and defining the integrated planning strategy for the Department.

² For 2007-08, program activities included: creation of Canadian content and performance; sustainability of cultural expression and participation; preservation of Canadian heritage; access to Canada's culture; promotion of inter-cultural understanding; community development and capacity building; and participation in community and civic. Source: PCH – 2008-09 Report on Plans and Priorities.

1.1 Authority for the Project

The authority for the audit is derived from the Multi-year Audit and Evaluation Plan submitted to the Audit and Evaluation Committee and approved by the Deputy in June 2007. This along with the 2008 Risk Based Audit Plan (RBAP), identified Governance and Strategic Direction (G&SD) as an audit priority, and identified the timing, objectives, scope and methodology for the audit.

The audit team used indicators from the Treasury Board Secretariat (TBS) Management Accountability Framework (MAF) and TBS' Core Management Controls guide as assessment tools to provide an overall opinion for this audit.

1.2 Background

PCH in Context

The mandate of the Department of Canadian Heritage states that it is responsible for the Government of Canada's role with respect to arts, culture, sport, heritage and citizen participation.

The *Department of Canadian Heritage Act* clearly sets out the Minister's powers, duties and functions with respect to "Canadian identity and values, cultural development and heritage". These responsibilities explicitly include:

- the arts, including cultural aspects of the status of the artist;
- cultural heritage and industries, including performing arts, visual and audio-visual arts, publishing, sound recording, film, video and literature;
- broadcasting, except in respect of spectrum management and the technical aspects of broadcasting;
- the formulation of cultural policy, including the formulation of cultural policy as it relates to foreign investment and copyright;
- the conservation, exportation and importation of cultural property;
- national museums, archives and libraries;
- national battlefields;
- the encouragement, promotion and development of sport;
- the advancement of the equality of status and use of English and French and the enhancement and development of the English and French linguistic minority communities in Canada;
- the promotion of a greater understanding of human rights, fundamental freedoms and related values;
- Multiculturalism³; and
- state ceremonial and Canadian symbols.

³ Although Multiculturalism is still the responsibility of PCH under its Act, this program has been transferred to Department of Citizenship and Immigration Canada.

The Department has five regional offices and 20 points of service located across the country and has five Cultural Trade Development Officers located outside the country to stimulate international cultural trade. The Department also delivers approximately 60 programs, nine of which are delivered in conjunction with the regional offices, operates 25 separate transfer payments programs (grants and contributions) and administers in whole or in part a number of statutes (Source: PCH – 2008-09 Report on Plans and Priorities).

PCH also maintains strong relationships with other federal departments such as Citizenship and Immigration Canada, Health Canada, Industry Canada, Foreign Affairs and International Trade, and Human Resources and Social Development Canada, to address shared objectives and priorities.

The scope of PCH's mandate, programs and interdependencies makes governance and strategic directions a challenging element to manage.

Governance and Strategic Directions

Governance relates to decisions that define expectations, grant power, or verify performance. A general definition of governance includes:

“Exercising authority to provide direction and to undertake, coordinate, and regulate activities in support of achieving this direction and desired outcomes”. Source: Treasury Board Secretariat, FMI - Governance and Accountability in Government Institutions Guideline, Draft October 2002

“Governance and Strategic Directions” is one of the 10 major elements of the TBS Management Accountability Framework (MAF) that was implemented in 2003. This element is defined as the expectation that “the essential conditions - internal coherence, corporate discipline and alignment to outcomes - are in place for providing effective strategic direction, support to the Minister and Parliament, and the delivery of results.” (Source: TBS MAF) This expectation is supported by indicators and measures that set out in more detail how this expectation is realized.

According to PCH's 2008-09 Report on Plans and Priorities (RPP), the Department's programs and activities are structured into the Program Activity Architecture (PAA). The PAA depicts the logical relationships between each program activity, its sub- and sub-sub-program activity level and the Department's Strategic Outcomes. The PAA serves to create an overview of how the Department's programs and activities are linked and how their expected results are organized to contribute to achieving the Department's mandate and Strategic Outcomes.

The Program Activity Architecture is a major component of the Management, Resources and Results Structure (MRRS). A complete MRRS includes strategic outcomes, the PAA, the financial and non-financial information for each element of the PAA, and the departmental governance structure.

In response to the Treasury Board Secretariat (TBS) requirements regarding full implementation of the Management, Resources and Results Structure Policy (MRRS), PCH made changes to its Program Activity Architecture (PAA) officially approved in June 2005. It contained two Strategic Outcomes and seven Program Activities. In April 2007, minor changes were made to reflect changes to departmental programs. Minor editorial changes were also made to the description of some Program Activities. Internal Services was added as a separate Program Activity as per TBS requirements. These revisions came into effect on April 1, 2008.

Since that time, PCH has undertaken a comprehensive and substantive renewal of its PAA and related Performance Measurement Framework (PMF). These revisions will come into effect on April 1, 2009 following Treasury Board approval. The revised PAA and PMF address comments and suggestions made by the Treasury Board Secretariat in the Round IV Management Accountability Framework Assessment. (Source: PCH – 2008-09 Report on Plans and Priorities)

2. Objective

The objective of the audit was to determine whether governance and strategic directions controls in PCH, between April 1, 2006 and March 31, 2008, were appropriately designed and effectively implemented to support the achievement of the Department's policies and objectives.

3. Scope

The audit focused on the controls for governance and strategic directions at PCH between April 1, 2006 and March 31, 2008. It assessed the controls used to support PCH policy, regulatory, program, and business activities at the strategic level. The audit team, therefore, focused at the senior management level, covering the three levels of the governance model in effect at PCH, and included the policies, structures and processes within those levels.

In order to include significant change events that occurred in the latter part of the audit timeframe, the audit team extended the timeframe of the audit (April 1, 2006 – March 31, 2008) to include April 2008 – August 2008.

4. Approach and Methodology

Given the diversity of PCH's operating environment, the *audit* of governance and strategic directions was a challenging endeavour. The audit was conducted in accordance with the Government of Canada's Policy on Internal Audit, as well as auditing standards prescribed by the Institute of Internal Auditors.

The audit program, including audit criteria, was developed using best practices. PCH Core Controls were mapped against TBS Core Management Controls. Questions for interviews conducted were developed based upon COSO internal control elements.

The audit of each line of enquiry (See Appendix A) was based on the targeted use of the following approaches:

- Examination of legislation, policies and other authorities that set out accountability, authorities and responsibilities;
- Examination of documentation (such as agendas, minutes of meetings, reports) of mandates, strategic directions and objectives, operational plans, monitoring systems and information systems;
- Interviews with senior management;
- Analysis of controls against the audit criteria. Analyses included testing of selected controls for consistency of application; and
- Review of preliminary assessment on control strengths and deficiencies with Directors General and/or the Audit Manager.

The field work was completed on November 28, 2008.

5. Observations, Recommendations and Management Response

Based on the audit work carried out, the audit team concluded that the controls related to Governance and Strategic Directions at the strategic level within PCH are appropriately designed to support the achievement of the Department's policies and objectives.

The audit team was not able to conclude whether these controls were effectively implemented. The audit team noted in many areas that there is still great effort to be deployed before implementation is complete. The audit team suggests that the audit's objective regarding effective implementation be addressed within the next two years, when sufficient experience with the new controls has been demonstrated.

In both areas of Governance and Strategic Directions concerns had been previously identified through the TBS MAF assessments, OAG audit and internal audits and reviews. In the summer of 2007, a major change initiative was started to improve the governance structure and the strategic directions planning process.

5.1 Governance

PCH has developed and begun to implement management structures that contribute to effective governance. It has developed a Program Activity Architecture (PAA) that sets out strategic outcomes and how PCH's structures and accountabilities align to those outcomes. It has established a management committee model that includes 12 core committees within a three-tier structure that are supported by advisory committees (i.e., Level 3 consists of: Policy Committee, Integrated Planning Committee, Human Resources and Workplace Management Advisory Committee, IM'IT Committee, Finance Committee, Program

Management and Service delivery Committee, and Legal Services Planning and Priorities Committee; Level 2 consists of: Communications & Coordination; Strategic Policy, Planning and Evaluation Committee; and Operations and Management; Level 1 is the Executive Committee (EXCOM), the Talent Management Board and Departmental Audit Committee. EXCOM has management controls over its formal correspondence with Treasury Board and Cabinet. And it continues to adjust and improve the management practices over its decision-making.

As indicated in the following paragraphs, important components of PCH's governance mechanisms are still evolving, and processes are becoming more formalized.

The Corporate Secretariat is responsible for collecting and distributing information with respect to the state of development of cabinet documents and Treasury Board submissions to the senior level committees of the governance structure. Individual PCH sectors are responsible for the production of these documents for subject-matter related to their respective areas of responsibility. They also rely on input from the Financial Management Branch, the Strategic Policy, Planning, Research, and Cabinet Affairs Branch, and the Office of the Chief Audit and Evaluation Executive. Individual sectors are also responsible for overseeing the implementation of Cabinet and Treasury Board decisions. The Department's new committee structure, which continues to be adjusted, will lead to improved analysis and input into decision-making in support of PCH's development of MCs and TB submissions.

During 2008, PCH updated its PAA/Performance Management Framework (PMF). Refinements continue to be made on the alignment between the Departmental strategic outcomes/priorities and supporting plans. The renewal of the PAA and the development of the PMF were approved by EXCOM March 26, 2008 for implementation in April 1, 2009. PCH will need to continue to monitor the application of this new PAA structure to ensure that it continues to meet departmental needs.

The three-tier committee structure was initiated in 2007 and formalized in 2008 to strengthen governance and assist the Deputy and Senior Management team in being more proactive in terms of rigour, concreteness and clarification of the link between business and people management goals (Source: PCH Integrated Planning Approach, June 2008). Each committee has a formal Terms of Reference and defined membership. Not all committees have consistently produced agendas, minutes or records of decisions during the audit timeframe. These occurrences were more frequent in the early stages of the new governance structure and seemed to be getting resolved in the second quarter of the 2008/09 fiscal year. Furthermore, the relationships and flows of information between these committees have yet to be formalized and finalized. PCH's overall governance will become more coordinated and effective as these committees and their management practices become more formalized and routine.

Changes are currently being made to the Terms of Reference and membership of to the Level 3 Policy Committee. Once fully operational, this committee will strengthen PCH's governance over its priority-setting, horizontal policy development, and stakeholder relationships in the Department.

Also, governance over relationships between PCH managers at headquarters and in the regions as it relates to communications, priority-setting and monitoring progress is not yet formally structured. Information is now shared bilaterally through both formal and informal debriefings. As PCH's governance mechanisms mature, it will contribute to more structured and consistent interactions between headquarters and regional operations.

The Chief Audit and Evaluation Executive has conducted an assessment of PCH's Internal Audit practices against IIA standards, and has implemented some of the steps required to improve compliance with those standards. Implementation of these improvements continues.

Risk Assessment

When decisions and directives are not documented and formally communicated through the appropriate channels, there is an increased risk that decisions and directives could be wrongfully interpreted, not implemented and/or ignored by PCH staff. This could result in missed opportunities to improve programs, or embarrassment for senior management.

Recommendation

1. The Corporate Secretary should strengthen PCH's corporate governance structure by putting in place a policy to ensure that all decisions and directives originating from every committee are properly documented, and that these decisions and directives are formally communicated within the corporate governance structure, as necessary.

Management Response

Agreed

5.2 Strategic Directions

PCH has instituted a strategic planning process which resulted in risk-based Branch business plans that reflect the Branch's external environment, risks, priorities and organizational impacts (e.g., for 2007/08: Human Resources, Information Management/Information Technology (IM/IT), Procurement, and International Travel). The planning and business priorities process was instituted in Fiscal Year (FY) 2007-08 with further modifications developed in 2008, to be implemented for the FY 2009/10 planning cycle.

The Branch business plan process and core business requirements have been further customized for FY 2009-10 to address the changes made to the renewed PAA/PMF. Call letters and a calendar have been released to all Branch heads indicating the Branch business plan process key dates and deliverables. Mandatory sections include: Description of the Organization, Situation Assessment, Performance Commitments, and Business Plan annexes.

Branches carry out environmental scanning as part of their operational planning process. An opportunity exists to further integrate the branch level scanning activities into the annual department-wide environmental scan activities.

Branch business plans are available to all employees. A 'place mat' tool which lays out in words and illustrations the governance and strategic planning approaches at PCH was developed and circulated in May 2008. It has been regarded as a highly effective communication tool based upon the initial feedback to the Director General Strategic Policy, Planning and Research and numbers produced to date (over 1,000 copies have been distributed).

As stated earlier, the PAA process at PCH has undergone revisions since 2005. The PAA/PMF underwent minor changes for FY 2007-08. PCH has a new PAA/PMF effective April 1, 2009 for the 2009-10 fiscal year. However, clarity of connection to overall Branch results/performance is still evolving.

Performance Management Agreements with the executive group at PCH follow mandatory MAF requirements (People Management, Stewardship of Resources, Departmental Governance, Regional Collaboration, and Renewal of Public Service). Direct links to PCH's strategic outcomes for FY 2007-08, PAA/PMF performance measures, or the Department's Report on Plans and Priorities/Departmental Performance Report (RPP/DPR) are not clear.

Risk Assessment

As PCH's strategic planning structures and mechanisms become more established, its decision-making, coordination and communication will improve. If elements of strategic planning and performance management are not implemented, communicated and/or fully integrated, there is a risk that an organization might not deliver on the desired outcomes, or it may not be able to report its performance against those outcomes.

Recommendation

2. The Director General, Strategic Policy, Planning and Research Branch, should continue to develop the strategic planning process, to ensure that it is aligned with the strategic outcomes identified in the newly updated PAA, is supported by a fully developed and implemented Performance Management Framework and is reflected in an overall Strategic Plan for PCH.

Management Response

Agreed

Appendix A – Audit Criteria

The conclusions reached for each of the audit criteria used in the audit were developed according to the following definitions.

Numerical Categorization	Conclusion on Audit Criteria	Definition of Conclusion
1	Well Controlled	<ul style="list-style-type: none"> • well managed, no material weaknesses noted; and • effective and sustainable.
2	Controlled	<ul style="list-style-type: none"> • well managed, but minor improvements are needed; and • effective and sustainable.
3	Moderate Issues	<p>Has moderate issues requiring management focus (at least one of the following two criteria need to be met):</p> <ul style="list-style-type: none"> • control weaknesses, but exposure is limited because likelihood of risk occurring is not high; • control weaknesses, but exposure is limited because impact of the risk is not high.
4	Significant Improvements Required	<p>Requires significant improvements (at least one of the following three criteria need to be met):</p> <ul style="list-style-type: none"> • financial adjustments material to line item or area or to the department; or • control deficiencies represent serious exposure; or • major deficiencies in overall control structure. <p>Note: Every audit criteria that is categorized as a “4” must be immediately disclosed to the CAEE and the subjects matter’s Director General or higher level for corrective action.</p>

<i>Audit Criteria</i>	<i>Conclusion</i>	<i>Examples of Key Evidence/ Observation</i>
<p>Enabling legislation, FAA, Charter of rights and Freedoms and other applicable statutes or regulations), supported by a process to identify areas where authorities may be lacking.</p> <p>PCH should have a stable MRRS, with measurable strategic outcomes, and a PAA supported by results and financial information.</p> <p>PCH should have authority, responsibility and accountability arrangements which are up to date, clear and well communicated to all staff</p>	<p>2</p> <p>2</p>	<p>development of Treasury Board submissions</p> <p>During 2008, PCH updated its PAA/PMF), moving PCH from 2 to 3 strategic outcomes. The renewal of the PAA was approved for implementation in April 2009. PCH will need to continue to monitor the application of this new PAA structure to assure itself that its meets departmental needs</p> <p>The Corporate Secretariat is responsible for overseeing accountability arrangements, including the committee structure which is still maturing. Important components of PCH's governance mechanisms are still evolving, and processes are becoming more formalized</p>
<p>3 The senior committee structure and process:</p> <p>PCH should have a corporate governance structure that effectively supports prioritization and decision-making?</p> <p>PCH should meet the essential conditions - internal coherence, corporate discipline and alignment to outcomes - for providing effective strategic direction, support to the minister and Parliament, and the delivery of results.</p>	<p>3</p>	<p>A three-tier committee structure was initiated in 2007 and formalized in 2008 to strengthen governance and assist the Department in being more proactive in terms of rigour, concreteness and clarify of the link between business and people management goals. Committees have not consistently produced agendas, minutes or records of decisions during the audit timeframe.</p>

	<p>PCH should have an appropriate governance structure aligned with its PAA, organizational policies, objectives and operating requirements.</p> <p>The structure should be adequately supported, and should receive the information it needs to carry out its responsibilities.</p>	<p>2</p> <p>3</p>	<p>These occurrences were more frequent in the early stages of the new governance structure and seemed to be getting resolved in the second quarter of the 2008/09 fiscal year. The relationships and flows of information between these committees have yet to be formalized and finalized.</p> <p>During 2008, PCH updated its PAA/PMF), moving PCH from 2 to 3 strategic outcomes. PCH will need to continue to monitor the application of this new PAA structure to assure itself that its meets departmental needs.</p> <p>PCH's committee structure is still maturing. Committees have not consistently produced agendas, minutes or records of decisions during the audit timeframe. These occurrences were more frequent in the early stages of the new governance structure and seemed to be getting resolved in the second quarter of the 2008/09 fiscal year.</p>
<p>4</p>	<p>External Stakeholder relationships at the strategic level</p> <p>PCH should have an effective portfolio management structure and process, including structured consultations on priorities, policy development and planning.</p> <p>PCH should establish and maintain effective relationships with its key external stakeholders</p>	<p>2</p>	<p>ToR and membership changes are being brought to the level 3 Policy Committee. Once these changes are made, PCH will need to determine if this committee is effective in strengthening PCH's governance over its priority-setting, horizontal policy development, and stakeholder relationships.</p>

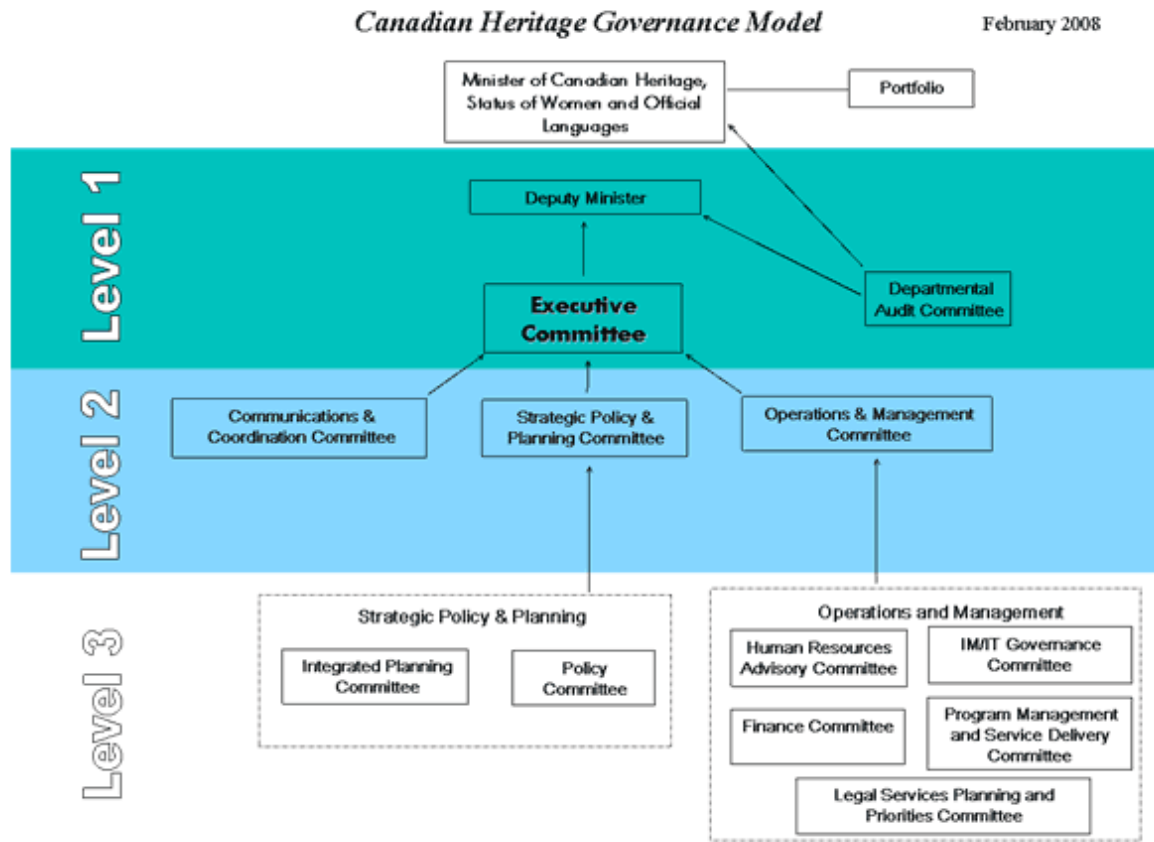
<p>5</p>	<p>Senior Committees relationships with PCH Regions and Branches</p> <p>PCH governance arrangements should include processes for communicating strategic decisions to the branches and regions, sharing information, monitoring progress in implementing decisions and mechanisms for adjusting priorities.</p>	<p>3</p>	<p>Information is now shared bilaterally through both formal and informal debriefings; however, it is not a formalized PCH governance process.</p>
<p>6</p>	<p>Internal and external assurance:</p> <p>PCH internal audit should meet the expectations set out in the 2006 Policy on Internal Audit. Results of internal and external audits should influence management improvement efforts.</p>	<p>2</p>	<p>The Chief Audit Executive has conducted an assessment of PCH’s Internal Audit practices against standards. The results of the assessment have not yet been fully implemented.</p>
<p>Strategic Directions</p>			
<p>1</p>	<p>Developing Strategic Plans and Business Priorities:</p> <p>PCH should have a strategic plan consistent with its mandate and government priorities that gives due consideration to factors such as external environment, risks, options, stakeholders, available resources, organizational strengths and weaknesses, and potential impacts.</p> <p>PCH should have a risk-based corporate plan which: is fully aligned to strategic outcomes; serves to align sector business plans; integrates strategic plans, HR plans, and resources plans; and is regularly monitored for progress and performance.</p>	<p>3</p> <p>2</p>	<p>PCH has instituted a strategic planning process which resulted in risk-based Branch business plans that reflect the Branch’s external environment, risks, priorities and organizational impacts (e.g., for 2007/08: Human Resources, Information Management/Information Technology (IM/IT), Procurement, and International Travel). The planning and business priorities process was instituted in Fiscal Year (FY) 2007-08 with further modifications developed in 2008, to be implemented for the FY 2009/10 planning cycle. However, PCH still does not have an overall strategic plan or a fully developed risk-based corporate plan which incorporates the newly</p>

<p>This plan should be effectively communicated to all staff and should be implemented throughout the department.</p> <p>PCH should have an effective planning function supported by an established process and calendar for corporate planning and decision making.</p> <p>PCH should have operational plans and performance agreements aligned with and linked to strategic plans.</p>	<p>1</p> <p>1</p> <p>3</p>	<p>developed risk profile and the newly developed PAA.</p> <p>Branches carry out environmental scanning as part of their operational planning process.</p> <p>Branch business plans are available to all employees. A ‘place mat’ tool was implemented in May 2008 and has been regarded as a highly effective communication tool.</p> <p>Call letters and a calendar are released to all Branch heads indicating the Branch business plan process key dates and deliverables.</p> <p>As the PAA/PMF was renewed in FY 2007-08, PCH has a new PAA/PMF. Clarity of connection to overall Branch results/performance is still evolving.</p> <p>Performance Management Agreements with the executive group at PCH follow mandatory corporate categories (People Management, Stewardship of Resources, Departmental Governance, Regional Collaboration, and Renewal of Public Service). Direct linkages from a strategic planning perspective to PCH’s strategic outcomes for FY 2007-08, PAA/PMF performance measures, or RPP/DPR are not clear.</p>
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<p>2</p>	<p>Addressing core business requirements (e.g., Human resources management, financial management, risk management, values and ethics, organization and responsibilities. Audit and evaluation, information management, asset management, compliance with authorities):</p> <p>PCH should have appropriate planning processes for core business requirements that define requirements, identify gaps, specify strategies for addressing gaps and provide information on progress in filling gaps.</p>	<p>1</p>	<p>PCH has developed a planning function supported by an established process which addresses core business requirements. The Branch business plan process and core business requirements have been further streamlined for FY 2009-10 to address the changes made to the renewed PAA/PMF. Mandatory sections include: description of the organization; situation assessment; performance commitments; and business plan annexes.</p>
<p>3</p>	<p>Reviewing and monitoring progress against plans, including performance measurement:</p> <p>PCH should have a performance management framework and management practices that: produce adequate performance information, use this performance information to manage for better results, and demonstrate good public reporting of these results to Parliament.</p> <p>PCH should have in place a performance measurement</p>	<p>2</p> <p>2</p>	<p>During 2008, PCH updated its PAA/PMF, moving PCH from 2 strategic outcomes to 3 strategic outcomes. Refinements continue to be made on the alignment between the Departmental strategic outcomes/priorities and supporting plans. The renewal of the Program Activity Architecture (PAA) and the development of the Performance Management Framework (PMF) were approved by EXCOM March 26, 2008 for implementation in April 2009.</p> <p>The Performance</p>

	<p>framework that reports on results, outputs, indicators and targets, and is used to support organizational decision-making on its key activities to effectively monitor and manage its operations and report to Parliament on the achievement of its objectives.</p>		<p>Measurement Process was instituted as part of the Branch business planning process in FY 2007-08. Performance monitoring details have been identified to the PCH PAA/PMF that was in place for FY 2007-08. As the PAA/PMF was renewed in FY 2007-08, PCH has a new PAA/PMF. Clarity of connection to overall Branch results/performance is still evolving.</p>
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Appendix B – Canadian Heritage Governance Model



Source: PCH – 2008-09 Report on Plans and Priorities