



2007-720

Final Report

**Audit of Succession Planning for the Acquisitions Branch and
the Accounting, Banking, and Compensation Branch.**

Office of Audit and Evaluation

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MAIN POINTS

This Main Points section is not a stand-alone document and must be read in conjunction with the body of this report.

What was examined

- i. We examined whether succession planning for Acquisitions Branch (AB) and Accounting, Banking and Compensation Branch (ABCB) adequately identifies and manages human resource risks to operational continuity.
- ii. An examination was done of:
 - The process used to develop the succession plans in each Branch
 - The implementation of these succession plans; and
 - The monitoring of the resulting processes.

Why it is important

- iii. Succession planning, and the resultant succession plans, are an integrated, systematic approach to identify, develop, and retain talent for key positions and areas in line with current and projected business objectives. It is an integral part of a broader integrated human resource and business planning process. The Clerk of the Privy Council elevated the importance of integrated human resources planning to address the demographic pressures faced by the Public Service, as has PWGSC. The PWGSC mission reinforces the need for high-quality service and stewardship, and therefore, competent staff. As with the government at large, the Department is facing significant demographic challenges with ongoing turnover, an ageing workforce and imminent retirements, increasing the need for renewal through employee recruitment, development and retention. PWGSC must also maintain the competencies to deliver services to federal organizations, and exercise stewardship on behalf of Canadians. One of the key instruments available to manage these challenges is succession planning. It facilitates the identification of key positions within the organization and helps ensure that individuals are acquired and developed to meet operational requirements. To assist in succession planning, the Canada Public Service Agency (CPSA) developed guidance in August 2006.
- iv. AB, with its eight sectors employing over 1,500 staff, anticipates that approximately 70 employees will become eligible to retire in each of the next five years. As well, a significant portion of its departures comes from reasons other than retirement. ABCB, with its five sectors employing over 1,400 staff, is experiencing some difficulty in recruiting and retaining employees given employee skill sets and the high demand for those skills within other government departments and the private sector. In ABCB approximately 70 employees will be eligible to retire in each of the next five years. Although retirement is an important reason for these departures, departures to other branches or government departments is significant. For different reasons, succession

planning is important to both Branches to maintain competencies and ensure business continuity.

- v. We realize that many succession planning initiatives are in their early stages. This audit was performed on these two Branches to provide guidance and advice on areas of improvement as the succession planning process is being developed and implemented. As well, lessons learned can be shared with others developing their own plans.

What was found

- vi. Both Branches have identified demographic concerns and are developing or have developed in part succession plans to deal with their particular risk areas. These plans are at various stages of completion.
- vii. More specifically, we found:
- A variety of succession plans responding to sector or occupational group needs are being developed
 - Branches have identified the need for the development of succession plans using a variety of information sources.
 - Most of the critical positions for business continuity have been identified in management and operations; both Branches are taking steps to mitigate them through different initiatives, including succession planning.
 - Capabilities for the identified critical positions focused more in the areas of generic core competencies and leadership skills.
 - Succession plans are being developed in both Branches for critical positions, and are at various stages of development.
 - Candidates identified through the succession planning process were assessed through a combination of activities, including self-identification, collective staffing, and the annual performance management process.
 - Communication is a challenge among participating branches and sectors, specifically with employees who are not in positions deemed critical.
 - Succession plan actions are at various stages of implementation.
 - Various methods, both formal and informal are used to monitor, control and report progress.

Management Response

- viii. AB and ABCB consider the results of this audit accurately and fairly reflect the state of Succession Planning within their organizations as of June 2008. AB and ABCB intend to act on all recommendations of this audit by each implementing a Management Action Plan, detailed as follows.
- ix. We recommend that the Assistant Deputy Ministers in AB and ABCB:

1. Complete the development of succession plans for all critical positions that identify succession planning activities, such as strategies and actions that respond to identified succession planning risks;

AB's response. AB accepts the recommendation and will be taking the following actions:

- 1.1 AB has drafted the Terms of Reference for an AB HR Task Force to address a number of HR issues, including succession planning. Task Force members are currently being identified and will commence work on November 2008. As part of it's mandate, the Task Force will support AB Directors General in developing their HR Succession Planning Strategy, and review and evaluate the results of the Commercial Acquisitions and Supply Management Sector (CASMS) Succession Planning Pilot Project with a view to developing a detailed Branch wide Succession Planning Strategy by April 2009.
- 1.2 AB Sector DG's will utilize the AB Succession Planning Strategy to develop Sector specific succession plans for all critical positions that identify succession planning activities, such as strategies and actions that respond to identified succession planning risks by September 2009.
- 1.3 In addition, CASMS is committed to continue developing a succession plan specific to CASMS, that identifies critical positions to ensure continuity of key services to ensure that departmental and government objectives are met. Detailed plans will be developed for new positions identified in 2008/2009 by March 2009.

ABC's response. ABC accepts the recommendation and will be taking the following actions:

- 1.4 Conduct an environmental scan to determine factors that will impact ABC succession planning – completed.
- 1.5 Identify, by sector, the critical positions in ABC and the key capabilities of those positions - completed.
- 1.6 Identify opportunities and assess against defined key capabilities by completing the pilot project underway in one sector, in order to identify tools for managing employee expectations and communication guidelines. Once results of the pilot are shared, all other sectors will determine their approach for identifying interested employees and assessing them against defined key capabilities by April 2009.
- 1.7 Develop succession activities and knowledge transfer plans for each sector by June 2009.

2. Ensure that succession planning activities identified in the succession plan are implemented for all critical positions;

AB's response. AB accepts the recommendation and will be taking the following actions:

- 2.1 Each AB Sector DG will be responsible for implementing their Sector's portion of the AB Succession Planning Strategy, including the resultant Sector specific Succession Plans. The AB HR Task Force will support the implementation of the AB Succession Planning Strategy by undertaking continuous recruitment and staffing activities as appropriate by March 2010.
- 2.2 CASMS will also seek necessary information and advice from Human Resources and other experts to ensure that potential risks identified are addressed in the CASMS succession plan by December 2008.

ABC's response. ABC accepts the recommendation and will be taking the following actions:

- 2.3 Assign the responsibility for coordinating the detailed sector plans to the sector representative on the Human Resources Management Committee (HRMC) – completed.
 - 2.4 HRMC will incorporate Succession Planning – Harvesting Corporate Knowledge as a component of the ABC Manager's Workshop "Managing our Most Important Resource" - completed.
 - 2.5 HRMC will include succession planning as a standing agenda item for its monthly meetings, starting in October 2008. The implementation of detailed plans by each sector will be discussed and opportunities to leverage individual sector plans and knowledge transfer events will be identified - completed.
3. Actively monitor the results of succession planning activities to ensure they mitigate succession planning risks and adjust these activities as necessary, and report on the implementation of these activities in relation to the succession plans; and

AB's response. AB accepts the recommendation and will be taking the following actions:

- 3.1 The AB HR Task Force will be responsible for reporting on the progress of each Sector's implementation of the AB Succession Plans to the ADM AB through the AB HR Committee and the monitoring of the results of succession planning activities to ensure they mitigate planning risks on a monthly basis commencing June 2009.
- 3.2 CASMS will evaluate their current succession planning pilot project and will continue to monitor the plan on a regular basis in order to assess its

effectiveness and make necessary adjustments to ensure overall objectives are met. As a deliverable, CASMS will evaluate and report to the HR Committee, the results of the CASMS pilot project by January 2009.

ABC's response. ABC accepts the recommendation and will be taking the following actions:

- 3.3 HRMC will monitor the implementation of the sector succession plan and report bi-annually on their status to ABC Management, commencing April 2009.
 - 3.4 HRMC will produce an annual summary of and update of the sector succession plans in conjunction with the Branch Human Resource plan and the Branch Business Plan by April 2009.
4. Identify lessons learned in the implementation of the succession planning process and make them accessible to the Human Resources Branch.

AB's response. AB accepts the recommendation and will be taking the following actions:

- 4.1 The AB HR Task Force will report on best practices and lessons learned in the implementation of the AB Succession Plans to the ADM AB through the AB HR Committee and make the reports accessible to the Human Resource Branch by April 2010.
- 4.2 CASMS continues to identify and report on lessons learned in the development and implementation of its succession plan and reports on findings for sharing as deemed appropriate at the AB HR Committee - completed.

ABC's response. ABC accepts the recommendation and will be taking the following actions:

- 4.3 HRMC will coordinate collection and evaluation of lessons learned from the implementation of succession plans in each sector and report on these to ABC management by September 2009.
- 4.3 HRMC will make the lessons learned available to HRB by October 2009.

INTRODUCTION

1. The objective of this internal audit was to determine whether the succession planning process for Acquisitions Branch (AB) and Accounting, Banking and Compensation Branch (ABCB) adequately identified and managed human resource risks to operational continuity.

BACKGROUND

2. To ensure that government organizations meet their objectives, they must have the proper resources in the right place at the right time. The Clerk of the Privy Council elevated the importance of integrated human resources planning to address the demographic pressures faced by the Public Service. In his 14th Annual Report, he states that the Public Service must commit to renewing itself for the future, or risk becoming less relevant, less useful and less respected. It must rethink how to recruit, develop, manage and retain its workforce.
3. One of the key instruments available to manage the demographic challenge is succession planning. Succession planning, and the resultant succession plans, are an integrated, systematic approach to identify, develop, and retain talent for key positions and areas in line with current and projected business objectives. Guidance on conducting succession planning and its integration with both business and human resource planning is provided in a variety of Treasury Board Secretariat and Canada Public Service Agency documents.
4. Succession planning is an integral part of a broader integrated human resource and business planning process. Succession planning may also be an important consideration when examining the areas of integrated risk management and business continuity planning, where there is a need to mitigate risks associated with competency loss and support the orderly recruitment, training, development and retention of staff to respond to identified risks.
5. The PWGSC mission reinforces the need for high-quality service and stewardship, and therefore, competent staff. PWGSC is not alone within the Government of Canada in facing such demographic challenges, with an ageing workforce and imminent retirements, increasing the need for renewal through employee recruitment and development. PWGSC must maintain the competencies to deliver services to federal organizations, and exercise stewardship on behalf of Canadians. Senior management recognizes that excellence is demonstrated in program delivery and also in its employee recruitment, training, and retention.
6. The need for succession planning is usually identified during an analysis of human resource information for managerial activities such as operational planning, human resources planning, integrated risk management, or even business continuity planning. Responses to succession planning needs may be undertaken as a separate project or integrated into another management activity and would ideally be documented in a succession plan. These activities include the development of recruitment, staffing and/or

training and development strategies for individuals or groups. They also include the development of action plans to respond to issues raised in the integrated risk management process. Management is not solely responsible for the success of a succession planning initiative. The success of such an initiative depends on the voluntary participation of employees, although management has a responsibility to encourage and support participation. While there is no specific policy requiring succession planning, the Canada Public Service Agency (CPSA) produced guidance material in August 2006.

7. Once the need for succession planning has been identified, the CPSA guidance outlines five broad steps towards successful succession planning:
 1. **Identify critical areas and critical positions** - those positions exerting critical influence on operational activities or strategic objectives.
 2. **Identify capabilities for critical areas and positions** - important for guiding learning plans and serving as a basis for self-assessment tools, and for setting clear performance expectations, assessing performance, and selecting staff.
 3. **Identify interested employees and assess them against capabilities** – assists in tailoring development opportunities so that employees can acquire the requisite skills and competencies they need to prepare them for future roles.
 4. **Develop and implement succession and knowledge transfer plans** - experience-based learning is more effective than classroom training in preparing potential candidates for future roles.
 5. **Evaluate effectiveness** - important to systematically evaluate and monitor these activities and make adjustments as necessary.
8. The two Branches covered in this audit are the AB and the ABCB. AB provides the government with acquisition and related common services, with its eight sectors employing over 1,500 staff. ABCB manages the operations of the federal treasury, including payments and revenue collection on behalf of Federal Government departments and agencies, and is responsible for preparing the Public Accounts of Canada and the monthly statement of financial operations. As well it manages payment redemptions, and administers government payroll, pension and insurance processes, with its five sectors employing over 1,400 staff. An organizational chart for these Branches is provided in Appendix A.
9. With impending retirements, succession planning is an important initiative for AB. This Branch anticipates that approximately 70 employees will become eligible to retire in each of the next five years. Retirements have increased by approximately 50% from 2001-2002 to 2005-2006. Indeterminate employees leaving AB have increased from 6.8% (97) in 2005-2006 to 10.2% (138 in 2006-2007) in subsequent years. Since 2004-2005, approximately half of indeterminate outflows have been due to retirement. Departures to other government departments represented 30% of outflows for that same period. Some AB sectors located outside the National Capital Region face different succession planning issues, due to location. In these sectors, it was identified that staff were retained for longer periods of time and faced less turnover. However, these same sectors are beginning to experience higher turnover due to retirement.

10. With the high demand for certain expertise and language requirements, indeterminate employees leaving ABCB has increased from 6.3% (73) in 2005-2006 to over 12.0% (147 in 2006-2007) in recent years. Therefore, succession planning becomes an important initiative for ABCB. Indeterminate employees leaving for jobs in other Branches accounted for approximately 34.0% of total outflows in 2005-2006. Since 2003, nearly half of the ABC departures have been to other PWGSC branches or other government departments. In ABCB approximately 70 employees will be eligible to retire in each of the next five years, accounting for approximately a quarter of employees.
11. The audit of these two Branches was performed to provide guidance and advice on areas for improvement, as the succession planning process is being developed and implemented. As many of the initiatives are in their early stages, we did not expect that they would complete the five broad succession planning steps outlined above.

FOCUS OF THE AUDIT

12. The audit focused on career development and succession planning policies, programs and initiatives currently underway. A focus of this audit was those occupational groups representing the greatest risk to the two Branches. More information on the objectives, scope, approach, and criteria can be found in the “About the Audit” section.

OBSERVATIONS

1) Succession planning and the resultant succession plans are at varying degrees of completion

13. The CPSA Succession Planning and Management Tool states the following regarding succession plan development for critical positions:

“Trends such as the increasing diversity of the population, competition for skilled employees, and the ageing population reinforce the need to identify and develop skills in targeted areas and implement strategies to pass on corporate knowledge.”
14. We expected that succession plans for AB and ABCB be developed to identify critical positions and strategies to respond to identified needs. This includes the following:
 - Identifying the need for succession planning initiatives;
 - Identifying critical positions;
 - Identifying capabilities for critical positions;
 - Identifying and assessing candidates;
 - Developing succession plans; and
 - Communicating with management and staff throughout the process.
15. A variety of succession plans are being developed. We found that succession plans being developed for sectors or occupational groups are at varying degrees of completion. These plans are therefore partially developed, and respond to sector or group needs. AB’s Final

Business Plan 2007-2008 to 2009-2010 identifies succession planning as a strategy to build capacity to ensure that its workforce is capable of meeting transformational and operational requirements. Human resources plans for some ABCB sectors state the importance of succession planning. ABCB has committed, in its Business Plan for 2008-2011, to implement succession planning and knowledge transfer.

16. Succession planning will greatly assist these Branches in dealing with their impending demographic issues, such as competition for skilled employees and the ageing population. These Branches are taking the necessary steps to design succession plans that will meet the needs of their sectors and individual employees.

Branches have identified the need for succession planning

17. The first step of an effective succession planning process is an environmental scan to determine whether the workforce in place will meet the organization's goals, and whether succession planning is required. Therefore, we expected the Branches to identify any risks inherent in their workforces and to respond accordingly. Succession planning needs were identified in Branch Human Resources Plans and Business Plans, through specific initiatives for the purchasing group and for individual directorates within Branches. They also arose as a result of collective staffing plans and business continuity plans. We found that the Branches, through various sources, have identified the need for succession planning. Succession planning needs senior management support to respond to organizational challenges and to succeed.
18. AB has a population dominated by one particular occupational group with the Purchasing and Supply Group (PG) representing over two thirds of its population. The Branch's business plans note that a key operational risk is its ability to maintain its workforce. It faces the challenge of a continuous outflow of PG staff. There is the need for succession planning due to issues such as demographics and retirements, a large number of new and inexperienced personnel, issues of organizational stability, increases in workload and the introduction of new procurement approaches and tools. A lack of resources could interrupt essential functions, resulting in a reduced ability to service the needs of the government and the Canadian public. To counter this, one of the AB sectors piloted its own succession planning initiative, the purpose being "to identify the human and competency resources required for retention, in order to develop a qualified pool of staff to sustain a level of capacity and meet the organization's goals and objectives." This pilot project will be discussed throughout this report.
19. ABCB has a diversified population with the Administrative Support group forming approximately half of the Branch, and the Clerical and Regulatory occupational category, forming approximately one-third of its population. ABCB, as a key priority to address human resource gaps, has identified the implementation of succession planning and knowledge transfer. The Branch has indicated in its Integrated Human Resources Plan for 2007-2009 that the inability to attract and retain the necessary resources to support its projects could disrupt service delivery to client departments and Canadians. A lack of resources could interrupt essential functions resulting in financial reporting and control

lapses. Recently, the ADM for ABCB requested that Directors General and Directors identify critical positions expected to become vacant and take action to ensure effective succession. The Branch will develop its sectoral succession plans by the end of 2008-2009.

Most of the critical managerial and operational positions have been identified

20. The CPSA model provides the following four factors as guidance for determining critical positions for succession planning purposes:
- The position is critical to the ability to achieve business goals;
 - The position is critical to the health, safety and security of the workforce or the Canadian public;
 - The skill set and/or knowledge required for the position are difficult to find; and
 - The position's current incumbent has a high level of specialized knowledge.
21. These criteria do not only relate to management positions, but also to any others that can impact business continuity. For each succession plan, we expected that the Branches identify critical positions. We found that, in most sectors, critical management and operational positions have been identified. In some sectors, only executive positions have been identified as critical to date.
22. The succession planning initiatives in AB and ABCB followed the CPSA framework for identifying critical positions, or used a comparable framework. In most of the succession plans, critical positions have been identified. Although the approaches used vary between sectors, they meet the requirements identified.
23. In some cases, succession planning goes beyond examining critical positions to look at critical groups of positions. Both Branches therefore identified critical groups.

Capabilities identified focused on generic core competencies and leadership skills

24. The CPSA model notes that a clear understanding of the necessary capabilities for successful performance in critical areas and positions is important for guiding learning plans and may serve as the basis for self-assessment tools. Therefore, we expected that capabilities for critical positions would be identified.
25. We found that both Branches identified necessary capabilities for critical positions. These are primarily focused on generic core competencies and leadership skills.
26. Competencies identified for executive succession planning were the Federal Public Service's key leadership competencies along with the essential and asset qualifications identified in the statement of merit for the various appointment processes. Linguistic and educational requirements were also considered.

27. AB is in the midst of a renewal exercise for their procurement function that will result in changes to the key capabilities for many positions. Once additional skills have been identified, there will be significant training and operational demands. The ultimate goal is to establish inventories of competencies, knowledge and skills during 2008-2009.
28. Several examples for identifying capabilities for critical positions were identified in ABCB. They also used their business continuity planning process to assist in identifying critical positions. Essential program knowledge and key stakeholder relationships were identified for management critical competencies. These same competencies and their area of expertise were identified as critical competencies for the various subject matter experts.
29. Although the identification of core and leadership competencies is important, certain difficult-to-find-job-specific skills may also need to be identified. We have seen evidence of the identification of job-specific skills in some of these sectors, but believe other sectors may need to identify their own. The identification of these skills will facilitate training and development in the future.

Candidates were identified and assessed through a combination of activities

30. According to the CPSA Succession Planning and Management Model:

“The main purpose of identifying and assessing employees against the capabilities for critical areas and positions is to tailor development opportunities in such a way that employees can acquire the requisite skills and competencies they need to prepare them for future roles.”
31. The CPSA model identifies many methods and instruments for assessing potential for leadership or other critical roles, including performance reviews, talent review meetings, written examinations, aptitude tests, and assessment centres. The approach to succession planning adopted must also align with Public Service core values of fairness, access and transparency. The CPSA model notes self-identification as a primary method to express interest in leadership roles, career advancement, or lateral moves. It is an available method to demonstrate fairness and transparency in the succession planning process.
32. We expected that the Branches identify and assess employees against the capabilities for critical areas and positions. We found that candidates were identified through a variety of means including: self-identification, the annual performance management process and the learning plan development process. In addition to branch level initiatives, an executive talent management program is being developed in the Department to strengthen and develop leadership talent pools at all levels.
33. As stated previously, a sector in AB is piloting a succession planning pilot project. This project has used self-identification as its method to identify potential candidates. However, this Branch encountered problems with this approach and did not have as many individuals self-identifying as they anticipated. A review they conducted indicated that

individuals did not self-identify because of reasons such as the individual's age and linguistic requirements of the position. As there were critical positions with no potential candidates, an appointment process was launched to address some of the vacancies and to establish candidate pools.

34. Staff can also self identify through staffing or recruitment processes. AB used the self-identification approach for a number of collective staffing initiatives to fill positions at the EX 1-3 levels. There were nine processes undertaken where there were 256 applicants, resulting in a pool of 27 qualified individuals. From this pool 21 offers were made and accepted as of March 14th, 2008. Those remaining in the pool would then be available to fill other positions as they become available. AB management is also considering using a centralized staffing team to build capacity within the PG group and to conduct continuous recruitment and staffing activities for advertised and non-advertised processes. This will assist in closing gaps identified in its recent capacity study.
35. The AB pilot has a formal process to assess developmental needs of potential successors. Employees completed a self-assessment noting how they demonstrated the competencies associated with the position and where they would need additional knowledge, experience or training. They were also asked to indicate career interests. Management then reviewed these self-assessments. A discussion with the employee ensued concerning learning and development strategies to address gaps. Leaders of the pilot project recognized the importance of communication and have taken early initiatives to improve communication with staff to ensure that they understand the process and to encourage their involvement.
36. One ABCB sector that adopted succession planning prior to the release of the CPSA Tool also used self-identification to identify potential candidates. Potential succession strategies, successors, and developmental plans are identified for each management position. For other critical positions, knowledge requirements and transfer strategies, target dates, reasons for delays and performance indicators/lessons learned were identified. For specific positions, succession strategies have not yet been developed.
37. ABCB management held many discussions about critical positions, both between individual managers and at its Human Resources Management Committee (HRMC). The ADM discussed with her management team what she considered critical and why. Throughout the succession planning process, manager buy-in is important. For example, the sector that adopted succession planning prior to the release of the CPSA Tool developed its own criteria for critical positions, which included risk assessment and analysis. A sector employee was assigned responsibility to monitor and challenge information received regarding the selection of successors.
38. In both Branches, for some critical positions, no successors self-identified. Additional work will be required to identify approaches to fill these gaps, including secondments, transfers, acting assignments, recruitment and staffing.

Succession plans are in various stages of development

39. To ensure that employees acquire essential experience and develop the necessary knowledge to assume more senior roles, critical development experiences may need to be planned. We expected that succession plans be developed for critical positions. Since every branch, sector, and employee is different, succession plans should be developed to reflect unique needs. We found that succession plans are at various stages of development.
40. The AB succession planning pilot project has developed detailed succession plans based on external best practices and guidance from PWGSC Human Resources Branch. This sector, representing approximately 27% of staff in the Branch, has prepared a succession plan for each of its 24 critical positions including information from a self-assessment and a managerial review. For each critical position, this sector identified key leadership, functional and other competencies, as well as the official language and educational and occupational certification requirements, against which interested employees could self-identify and self-assess. Interested employees were evaluated based on the information they provided; learning and development strategies were identified, as well as possible succession risks and considerations and readiness to assume the key position. A need to facilitate the advancement of employees was identified for positions that have a higher language requirement in a manner that would “facilitate a smooth transition with respect to language requirements with minimal interruption to daily operations.” It included options such as informal training once a week, part time language training and the promotion of special times where only the second language is spoken and developed.
41. AB identified the need to build and sustain the required PG workforce with the necessary competencies and plan the way forward to field the required expertise at the necessary levels to deliver its programs. The Branch commissioned a study of the PG community. This study has developed a proposal with cost estimates for a variety of initiatives including: a dedicated team for recruitment; an improved orientation program; ongoing centrally managed career management; a focus on retention; and the increased use of retirees during the transition.
42. Although the sector succession plans are at varying degrees of completion, ABCB expects to have all critical positions in all sectors identified by the end of 2008-2009. One sector developed a Succession Planning/Knowledge Transfer strategy in 2005 for the 2005-2006 to 2007-2008 HR plan. This sector identified essential program knowledge, core competencies and key stakeholder relationships, and explored potential succession and/or knowledge management strategies. Potential succession strategies, successors, and developmental plans have been identified for each management position. For other critical positions, knowledge requirements and transfer strategies, target dates, reasons for delays and performance indicators/lessons learned were identified. ABCB sectors have developed initiatives to support effective HR management.

Communicating with management and staff continues to be a challenge

43. Leaders of succession planning initiatives need to ensure clear communications throughout the process since the lack of communication is a key reason why change efforts fail. Management must provide adequate information to employees to gain their support. As a result, we expected succession plans to be communicated with management and staff. We found that communication with staff continues to be a challenge.
44. In its succession planning initiative, the pilot sector within the AB noted the importance of communication and took steps to communicate with staff. The initiative's leaders recognized that early initiatives could face resistance, scepticism and cynicism from some managers and employees. The leaders therefore provided ample information and clarified the relationship between succession planning and employee development. However, during their lessons learned analysis, they noted that the initiative might have profited from a "Town Hall" meeting to highlight this initiative's importance and improve employee participation in the process. They also noted that the posting of information on critical positions on the intranet rather than having interested individuals request the information would also have been beneficial.
45. In ABCB, succession planning has been discussed at Management Team meetings and its monthly Human Resources Management Committee meetings. Important information, such as the staffing plan, human resources plans, and Human Resources Management Committee meetings, are posted on the website.
46. There is a risk that self-identification could raise expectations of automatic promotion for candidates involved in the succession planning process. The assessment of an individual is not a guarantee of promotion; nor is offering developmental assignments. Organizations need to manage the expectations of staff.
47. However, there is a need to clarify what information can be discussed with staff, due to confidentiality concerns. Branch management noted a lack of guidance on how to communicate with employees regarding succession planning process implementation, especially those who are not included in the initiative. To date, limited guidance has been developed to communicate with employees concerning the succession planning process. Continued open communication on the succession planning process and its progress will facilitate the values of fairness and transparency.
48. Succession planning is still in its infancy, with plans at varying degrees of completion. The creation of a succession plan alone does not guarantee success; the plan must be implemented and monitored. Ideally, organizations can draw from lessons learned by project initiators, as these are the innovators. In this situation, both AB and ABCB are innovators. Succession plans have been developed to identify critical positions and strategies to respond to identified needs. The Branches have designed plans to fit their individual needs. This approach is acceptable given the needs of these Branches and the Sectors within them are very different. AB has committed to implement succession planning for all critical positions for all groups and levels by the end of fiscal year 2008-

2009. As well, ABCB has identified succession planning as one of its HR priorities to address HR gaps. Therefore, since most, but not all, sectors have completed the development of succession plans to identify critical positions and strategies to respond to identified needs, the succession plans partially meet the requirements of the first criterion.

Lesson Learned

- Buy-in from senior management is imperative.
- Information for effective succession planning comes from various sources (the HRMS, HR Branch, other managers, and direct knowledge of their staff).
- Identification of critical positions is done through a risk-based approach and requires careful consideration of a number of variables. It should be based on an analysis of human resource information and discussion with staff.
- Not all positions can or should be critical from a succession planning perspective. Critical positions exert critical influence on operational activities or organizational strategic objectives, and may be either managerial or operational.
- As situations change, so will the positions that are identified as critical and the list of critical positions should be regularly reviewed.
- A senior management review of the potential critical positions should be performed to ensure consistency of approach and completeness of coverage
- Different approaches may be used to lead and control succession planning initiatives. This could include either a specific succession planning project or other existing managerial processes such as integrated risk management, training and development plans, recruitment and staffing.
- Communication with management, participants and others throughout the succession planning process is vital.

2) Actions identified in the succession plans are partially implemented

49. It is not enough to develop succession plans; these must also be put into practice. The CPSA succession planning tool identifies many implementation strategies and knowledge transfer plans, including stretch and acting assignments, mentoring/coaching and formal training. We expected actions to be identified and that succession plans be implemented. We found that several succession plans have not reached the point of being implemented. Therefore, succession plan actions are partially implemented. Succession planning can be a time-consuming process, which can be highly dependent on resource availability. Some strategies require additional financial, material, human resources, as well as time, to be implemented. Neither Branch has reached a point where they are ready to develop an official business case for their initiatives, including resources required. Formal training and coaching may require additional financial resources. If existing funding is not sufficient, a business case may be necessary to acquire additional resources to respond to training and other needs. To encourage knowledge transfer, management needs to provide the person sharing their knowledge the necessary time to share it.

50. The AB pilot initiative is being implemented. To deal with the gaps identified in the AB EX community, presentations were made to the Executive Resourcing Committee and approval was given to initiate appointment processes. These were done collectively, where a number of positions were filled through the same collective appointment process. The Branch's EX initiative has resulted in a number of successful collective appointment processes. As well as the many filled positions, a pool of identified EX resources resulted from the process to be used for future positions as they become available. A consultant's report is being developed, examining resourcing and training requirements for the PG group, identifying needs and cost estimates for a variety of initiatives to deal with issues raised. Specific training requirements have also been identified for those involved in the pilot succession planning initiative. This initiative has a detailed project implementation proposal currently being reviewed.
51. With the ABCB succession plans being at different stages of implementation, some sectors have identified the development opportunities required to fill gaps. To be successful, it is important that planned development take place and that proper resources be provided to implement the plans. One sector, since 2005, holds management team meetings to review critical positions and identify knowledge transfer strategies, including on-the-job training, mentoring/coaching, and job shadowing, which are then implemented.
52. Since succession plans are at different stages of completion, the criterion that actions identified in the succession plans would be implemented, is partially met.

Lessons Learned

- Entering into succession planning initiatives must be done with the knowledge that additional resources (financial, human, material, time, etc.) may be required.
- There is a need for ongoing management commitment and support to ensure that succession planning initiatives are implemented.

3) Actions identified are monitored, with adjustments made as necessary, and reported to parties of interest

53. The CPSA succession planning tool identifies the importance of systematically evaluating and monitoring succession planning activities and making adjustments as necessary. Without monitoring, Branches may have difficulty determining initiative progress, and identifying and resolving implementation issues. Lessons learned from succession planning initiatives are also important for future initiatives. A lack of monitoring can lead to incorrect decisions being made based on inaccurate information. Without proper monitoring, an initiative can fall short of expectations, resulting in dashed expectations and decreased morale.
54. Therefore, we expected that efforts would be monitored and controlled, by taking corrective actions as necessary. We also expected that interested parties would be

informed of succession plan progress in such areas as training received, and other developmental activities. We found that those sectors whose succession plans were fully implemented identified actions that are then monitored and reported to parties of interest with adjustments made as necessary.

55. Since 1998, PWGSC has undertaken several succession planning initiatives. We could not find evidence that the results of these initiatives and lessons learned were shared within the organization. Those beginning new initiatives do not gain the benefit of learning from predecessors.
56. The AB pilot has identified performance indicators to measure succession plan success. In ABCB, different methods are used to monitor, adjust and report progress. Some sectors use a documented process, while others use more informal methods, such as bilateral discussions. Either scenario can greatly assist management in monitoring, adjusting and reporting. In one sector, managers are asked to review and discuss annually the status and progress of “at-risk” positions to determine their status, as well as provide updates to job specific competencies, performance indicators, potential strategies for knowledge transfer, and lessons learned.
57. In examining the succession planning initiatives underway, some of the succession planning processes have developed approaches to monitor, adjust and report on progress. Some are formal, while others are less formal, and depend on the initiatives being implemented. As situations arise, adjustments are made as necessary. Therefore, the criterion that actions identified in the succession plans would be monitored, controlled and reported to parties of interest, is partially met.

Lessons Learned:

- Document lessons learned for others to learn from what happened during the implementation of the succession planning initiative;
- Communicate with interested parties, such as potential successors, management, or those who are developing their own succession plans; and
- Maintain momentum during implementation by actively monitoring and reporting progress to management and staff.

CONCLUSIONS

58. In AB and ABCB, succession plans were developed to identify critical positions and strategies to respond to identified needs. Both Branches have identified risks affecting their business continuity in the coming years, and are taking steps to mitigate them through different initiatives, including succession planning. AB has committed to implement succession planning for all critical positions for all groups and levels by the end of 2008-2009. ABCB has identified succession planning as one of its HR priorities to address HR gaps.

59. These Branches have designed plans to fit their varied needs. All of the succession planning initiatives are still in their infancy, and are therefore at various degrees of completion. Various methods are employed to monitor, adjust as necessary, and report progress, from the formal to the informal.
60. Communication is a concern among participating branches and sectors. These initiatives have generated new information that should be documented and communicated to others beginning their initiatives or simply wishing to improve the initiatives currently in place.

MANAGEMENT RESPONSE

61. AB and ABCB consider the results of this audit accurately and fairly reflect the state of Succession Planning within their organizations as of June 2008. AB and ABCB intend to act on all recommendations of this audit by each implementing a Management Action Plan, detailed as follows.

RECOMMENDATIONS

62. We recommend that both AB and ABCB:
1. Complete the development of succession plans for all critical positions that identify succession planning activities, such as strategies and actions that respond to identified succession planning risks;
- AB's response.** AB accepts the recommendation and will be taking the following actions:
- 1.1 AB has drafted the Terms of Reference for an AB HR Task Force to address a number of HR issues, including succession planning. Task Force members are currently being identified and will commence work on November 2008. As part of its mandate, the Task Force will support AB Directors General in developing their HR Succession Planning Strategy, and review and evaluate the results of the CASMS Succession Planning Pilot Project with a view to developing a detailed Branch wide Succession Planning Strategy by April 2009.
 - 1.2 AB Sector DG's will utilize the AB Succession Planning Strategy to develop Sector specific succession plans for all critical positions that identify succession planning activities, such as strategies and actions that respond to identified succession planning risks by September 2009.
 - 1.3 In addition, CASMS is committed to continue developing a succession plan specific to CASMS, that identifies critical positions to ensure continuity of key services to ensure that departmental and government objectives are met. Detailed plans will be developed for new positions identified in 2008/2009 by March 2009.

ABC's response. ABC accepts the recommendation and will be taking the following actions:

- 1.4 Conduct an environmental scan to determine factors that will impact ABC succession planning – completed.
 - 1.5 Identify, by sector, the critical positions in ABC and the key capabilities of those positions - completed.
 - 1.6 Identify opportunities and assess against defined key capabilities by completing the pilot project underway in one sector, in order to identify tools for managing employee expectations and communication guidelines. Once results of the pilot are shared, all other sectors will determine their approach for identifying interested employees and assessing them against defined key capabilities by April 2009.
 - 1.7 Develop succession activities and knowledge transfer plans for each sector by June 2009.
2. Ensure that succession planning activities identified in the succession plan are implemented for all critical positions;

AB's response. AB accepts the recommendation and will be taking the following actions:

- 2.1 Each AB Sector DG will be responsible for implementing their Sector's portion of the AB Succession Planning Strategy, including the resultant Sector specific Succession Plans. The AB HR Task Force will support the implementation of the AB Succession Planning Strategy by undertaking continuous recruitment and staffing activities as appropriate by March 2010.
- 2.2 CASMS will also seek necessary information and advice from Human Resources and other experts to ensure that potential risks identified are addressed in the CASMS succession plan by December 2008.

ABC's response. ABC accepts the recommendation and will be taking the following actions:

- 2.3 Assign the responsibility for coordinating the detailed sector plans to the sector representative on the Human Resources Management Committee (HRMC) – completed.
- 2.4 HRMC will incorporate Succession Planning – Harvesting Corporate Knowledge as a component of the ABC Manager's Workshop "Managing our Most Important Resource" - completed.
- 2.5 HRMC will include succession planning as a standing agenda item for its monthly meetings, starting in October 2008. The implementation of detailed plans by each sector will be discussed and opportunities to leverage individual sector plans and knowledge transfer events will be identified - completed.

3. Actively monitor the results of succession planning activities to ensure they mitigate succession planning risks and adjust these activities as necessary, and report on the implementation of these activities in relation to the succession plans; and

AB's response. AB accepts the recommendation and will be taking the following actions:

- 3.1 The AB HR Task Force will be responsible for reporting on the progress of each Sector's implementation of the AB Succession Plans to the ADM AB through the AB HR Committee and the monitoring of the results of succession planning activities to ensure they mitigate planning risks on a monthly basis commencing June 2009.
- 3.2 CASMS will evaluate their current succession planning pilot project and will continue to monitor the plan on a regular basis in order to assess its effectiveness and make necessary adjustments to ensure overall objectives are met. As a deliverable, CASMS will evaluate and report to the HR Committee, the results of the CASMS pilot project by January 2009.

ABC's response. ABC accepts the recommendation and will be taking the following actions:

- 3.3 HRMC will monitor the implementation of the sector succession plan and report bi-annually on their status to ABC Management, commencing April 2009.
 - 3.4 HRMC will produce an annual summary of and update of the sector succession plans in conjunction with the Branch Human Resource plan and the Branch Business Plan by April 2009.
4. Identify lessons learned in the implementation of the succession planning process and make them accessible to the Human Resources Branch.

AB's response. AB accepts the recommendation and will be taking the following actions:

- 4.1 The AB HR Task Force will report on best practices and lessons learned in the implementation of the AB Succession Plans to the ADM AB through the AB HR Committee and make the reports accessible to the Human Resource Branch by April 2010.
- 4.2 CASMS continues to identify and report on lessons learned in the development and implementation of its succession plan and reports on findings for sharing as deemed appropriate at the AB HR Committee - completed.

ABC's response. ABC accepts the recommendation and will be taking the following actions:

- 4.3 HRMC will coordinate collection and evaluation of lessons learned from the implementation of succession plans in each sector and report on these to ABC management by September 2009.
- 4.4 HRMC will make the lessons learned available to HRB by October 2009.

ABOUT THE AUDIT

Objective

63. The objective of this internal audit was to determine whether succession planning for AB and ABCB adequately identifies and manages human resource risks to operational continuity.

Scope and Approach

64. This audit was conducted from January 2008 to June 2008.
65. The audit focused on career development and succession planning policies, programs and initiatives. A focus of this audit was those occupational groups representing the greatest risk to the two Branches.
66. The audit was conducted in accordance with the *TB Policy on Internal Audit* and the *Internal Auditing Standards for the Government of Canada*
67. The criteria for this audit were based on a combination of documentation including but not limited to:
- (i) People Component – Management Accountability Framework (PCMAF);
 - (ii) Fourteenth Annual Report to the Prime Minister on the Public Service of Canada;
 - (iii) Public Service Renewal Action Plan;
 - (iv) Canada Public Service Agency documentation on succession planning; and
 - (v) Treasury Board project management practices
68. Interviews were conducted with personnel in both Branches. Relevant processes and documentation were examined and tested. Based on analysis of the information and evidence collected, the audit team prepared audit findings and conclusions, which were validated with the appropriate managers, prior to tabling of the Draft Final Report to the PWGSC Audit and Evaluation Committee.

Criteria

69. The criteria used in auditing succession planning in these Branches are as follows:
- 1. Succession plans would be developed to identify critical positions and strategies to respond to identified needs.
 - 2. Actions identified in the succession plans would be implemented.
 - 3. Actions identified in the succession plans would be monitored, controlled and reported to parties of interest.

Audit Work Completed

70. Audit fieldwork for this audit was substantially completed on May 15, 2008.

Audit Team

71. The audit was conducted by members of the Audit and Evaluation Branch and a human resources audit consultant, overseen by the Director, Internal Audit Services Directorate, under the overall direction of the Chief Audit Executive, Audit and Evaluation Branch.

Appendix A: Organizational Chart

