Audit of Real Property Infrastructure Management

April 2017

TABLE OF CONTENTS

1.0   INTRODUCTION

1. The *Canada Border Services Agency Act* mandates the Canada Border Services Agency (the CBSA or the Agency) to provide integrated border services that support national security and public safety priorities, and facilitate the free flow of persons and goods, including animals and plants, which meet all requirements under the program legislation.[1] Fulfilling the Agency's mandate requires an extensive and diverse portfolio of real property infrastructure and the capacity to manage it. Effective 2014, the Agency has access to approximately 455,000 m^2 of operational and general-purpose space to deliver its programs across Canada.

2. Real property is defined by the *Federal Real Property and Federal Immovables Act* as lands, including mines and minerals, and buildings, structures, improvements, and other fixtures on, above, or below the surface of the land, and includes an interest therein.[2]

3. Government of Canada legislative, regulatory authorities and related policies prescribe how the Agency should acquire, use, maintain, report on and dispose of its infrastructure.

4. The Agency's real property portfolio includes:

   - **CBSA Custodial Properties:** Real property for which the Agency has full lifecycle responsibilities and includes 107 ports of entry at the land border, 77 residential units, a laboratory and 15 wharves representing approximately 120,000 m^2 of space with a net book value of $287 million.

   - **Legislated Space:** Owners and operators of infrastructure that receive imported goods are required by law to provide, at no cost, space for the detention and examination, where warranted, of persons or goods entering Canada. It includes 10 ports of entry at international toll bridges and one tunnel, 28 airports, 12 ferry terminals, 10 marine ports, nine cruise ship terminals, four rail passenger terminals, and three international postal terminals, and represents approximately 128,000 m^2 of space.

   - **Public Services and Procurement Canada[3] Accommodation:** Comprises approximately 113 facilities administered by the Public Services and Procurement Canada, and represents approximately 204,600 m^2 of space.

5. The overall responsibility for infrastructure management is shared among many stakeholders. At National Headquarters, within the Comptrollership Branch, the National Real Property and Accommodations Directorate (NRPAD) is the authority responsible and accountable for making all real property infrastructure related decisions and for providing functional direction to regional staff. In each region, the Corporate Program Services Division within the Operations Branch is responsible for the overall, day-to-day management of real property infrastructure, administering service

---

[1] About the CBSA, Who We Are, http://www.cbsa.gc.ca/agency-agence/who-qui-eng.htm
[2] Treasury Board Secretariat Guide to the Management of Real Property, Section 2.1, http://www.tbs-sct.gc.ca/hgw-cgf/gap-big/frpm-gbif/gmrp-ggbi/gmrp-ggbitb-eng.asp
[3] Formerly known as Public Works and Government Services Canada (PWGSC)

contracts with Public Services and Procurement Canada, and identifying future real property infrastructure needs.

6. In 2015-2016, the Comptrollership Branch created the Strategic Transformation and Renewal Directorate (STARD), which is responsible for infrastructure projects such as the Gordie Howe International Bridge, Land Border Crossing Project, and development of a consistent framework for applying section 6 of the *Customs Act*.

7. The following table provides a summary of the Agency's infrastructure expenditures between fiscal years 2013-2014 and 2015-2016.[4]

Table 1: Operating and Capital Expenditures for Infrastructure

Expenditures by Fiscal Year		2013-2014	2014-2015	2015-2016
Vote 1: Operating	A-Base	$32,954,894	$32,532,605	$42,481,796
	B-Base	$7,453,242	$6,993,008	$3,395,700
	Total	**$40,408,136**	**$39,525,613**	**$45,877,496**
Vote 5: Capital	A-Base	$33,830,886	$24,918,853	$21,014,444
	B-Base	$1,484,995	$14,572,907	$18,280,891
	Total	**$35,315,881**	**$39,491,760**	**$39,295,335**
Total Expenditures		**$75,724,017**	**$79,017,373**	**$85,172,831**

8. Additional sources funding available to the Agency for the renewal of its infrastructure from 2016-2017 onward include:

- $440 million set aside from the 2015 federal budget for the Land Border Crossing Project to replace aging small and remote ports of entry in poor state of repair.[5]

- $63.7 million from the Accelerated Infrastructure Program to recapitalize custodial infrastructure between fiscal years 2016-2017 and 2017-2018.

- $138 million for the replacement of detention centres in Laval, Quebec and Surrey, British Columbia.[6]

- $68 million in Capital and Operations and Maintenance funding between fiscal years 2016-2017 and 2018-2019 related to infrastructure projects for the Beyond the Border initiative.

---

[4] Agency Infrastructure Expenditures, 2013-2016, Prepared by Comptrollership Branch (unaudited).
[5] Canadian Federal Budget, Tabled April 21, 2015, Page 220
[6] Statement by the CBSA on Immigration Holding Centres, CBSA News, February 25, 2017; https://www.canada.ca/en/border-services-agency/news/2017/02/statement_by_thecanadaborderservicesagencyonhousingofcanadianchi.html

2.0 SIGNIFICANCE OF THE AUDIT

9. This audit is of interest to management due to the importance of real property infrastructure for the delivery of the Agency's programs. Real property infrastructure currently represents 30% of the Agency's tangible capital assets, and planned investments in custodial real property infrastructure are material. The audit of the real property infrastructure control framework will support the effective management of the Agency's real property infrastructure over its lifecycle.

10. The audit objective was to ensure there are effective controls and practices in place to support the management and renewal of the Agency's custodial real property infrastructure.

11. The audit scope included an assessment of the:

- Governance, management and oversight of the Agency's real property infrastructure;

- Capacity of headquarters and the regions to manage real property infrastructure; and

- Effectiveness of processes and procedures in place to ensure that the Agency's real property infrastructure investments and human resources capacity are aligned with the Agency's strategic objectives.

12. The audit scope partially excluded or excluded:

- Land Border Crossing Project: The audit only included an assessment of the governance in place to support the project.

- Section 6 properties, the Gordie Howe International Bridge, leased space and international postal terminals.

13. The audit criteria, methodology and scope exclusions, can be found in Appendix A.

3.0 STATEMENT OF CONFORMANCE

14. The audit conforms to the *Internal Auditing Standards for the Government of Canada*, as supported by the results of the quality assurance and improvement program. The audit approach and methodology followed the *International Standards for the Professional Practice of Internal Auditing* as defined by the Institute of Internal Auditors and the *Internal Auditing Standards for the Government of Canada*, as required by the Treasury Board's *Policy on Internal Audit*.

4.0 AUDIT OPINION

15. Overall, the Agency has implemented the required controls and practices for the planned renewal of its custodial real property infrastructure. However, governance and risk management could be strengthened to integrate the Agency's current and future requirements into infrastructure projects. Opportunities also exist to strengthen the human resources capacity and expertise required to effectively support the management of the Agency's infrastructure.

5.0   KEY FINDINGS

16. Roles, responsibilities and accountabilities for infrastructure management were defined and documented, but could be updated, coordinated and formally communicated among all involved in managing the Agency's infrastructure at headquarters and in the regions.

17. Oversight bodies and management receive relevant and timely information to support decision-making and monitoring. However, infrastructure governance could be further consolidated and formalized.

18. Although the Agency has defined and documented its infrastructure priorities and objectives, the decisions to pursue or cancel projects could be better communicated to managers.

19. Risk management could be formalized and communicated to ensure that risks are consistently identified, assessed, mitigated and integrated into planning decisions.

20. The real property infrastructure projects are managed in accordance with requirements and aligned with the Public Services and Procurement Canada's established lifecycle methodology.

21. There is an ongoing concern that the Agency will not have the required capacity with the necessary skills and expertise to support its infrastructure objectives.

6.0   SUMMARY OF RECOMMENDATIONS

22. The audit makes three recommendations to:

- Finalize and communicate a real property management framework that is aligned with the requirements of the Treasury Board Policy on Management of Real Property.

- Formalize and communicate a comprehensive risk management regime for real property to ensure that risks are consistently identified, assessed, mitigated and integrated into planning decisions.

- Develop and implement a sustainable organizational strategy to ensure the Agency has the required capacity to effectively manage the Agency's real property infrastructure.

7.0   MANAGEMENT RESPONSE

Management Response:

The Vice-President of the Comptrollership Branch agrees with the recommendations made within this Audit and will take action to address them to deliver a more innovative, sustainable and strategically aligned real property function in support of Agency objectives.

8.0   AUDIT FINDINGS

8.1   Governance and Strategic Direction

Audit Criteria:

- *Roles, responsibilities and accountabilities for the oversight and management of infrastructure are defined, documented and communicated.*

- *The Agency has defined, documented and communicated infrastructure priorities and objectives.*

- *Oversight body(ies) and management receive relevant and timely information to support decision-making and monitoring.*

Real Property Management Framework

23. The Agency is expected to establish and maintain a real property management framework (the Framework) to support the efficient and effective management of its real property portfolio. The Framework should include: [7]

    - Clear accountability and decision-making structures, including authorities and responsibilities;

    - Policies, practices and processes that comply with federal legislation, regulations and government policies; and

    - Systems that provide relevant program, financial, and real property performance information.

24. As the functional authority for real property infrastructure, the Comptrollership Branch's National Real Property and Accommodations Directorate (NRPAD) is responsible for the development of the Framework. In 2009, the NRPAD documented and communicated a CBSA Framework. This document includes approximately half of the current requirements from the Treasury Board Policy on the Management of Real Property. The NRPAD prepared an update in 2014 that was aligned with most Treasury Board requirements.[8]

25. As a result of competing pressures, the 2014 Framework remained a draft that has not been widely shared with all employees involved managing the Agency's infrastructure.

26. At the time of the audit, the Comptrollership Branch was making changes to its governance structure intended to improve the holistic management of the Agency's infrastructure portfolio, including:

---

[7] Treasury Board Secretariat Guide to the Management of Real Property, Section 4.1 and 6 http://www.tbs-sct.gc.ca/hgw-cgf/gap-big/frpm-gbif/gmrp-ggbi/gmrp-ggbitb-eng.asp
[8] Omitted Treasury Board requirements included assigning responsibilities for assessing heritage status and coordinating departmental fire protection.

- Centralizing the NRPAD's infrastructure budgets, delegations of authority and planning processes;

- Creating the Strategic Transformation and Renewal Directorate (STARD) to manage major infrastructure projects such as the Land Border Crossing Project; and

- Revising the Agency's investment planning and oversight processes, which includes real property infrastructure.

27. These changes will affect roles and responsibilities with respect to infrastructure, priority setting, oversight and decision making. Management's progress and current opportunities related to the Agency's Framework are described in the following sections.

Roles, Responsibilities and Accountabilities

28. Effective oversight and management requires that all stakeholders have a clear understanding of their roles, responsibilities and authorities. The efficiency of program delivery and the coordination of activities are increased by formalizing, documenting and communicating these roles and responsibilities.

Infrastructure Management

29. Managing the Agency's responsibilities for infrastructure requires the collective effort of numerous stakeholders. Roles, responsibilities and accountabilities of key CBSA stakeholders are included in the Agency's Framework, and in work descriptions. A summary of the roles and responsibilities can be found in Appendix B. Notwithstanding these documents, the audit identified areas for improvements in the delineation of employee roles, responsibilities and accountabilities to support real property infrastructure. Specifically:

- Roles and responsibilities were mostly communicated verbally to employees. Formal organizational charts and work descriptions were available, but out-of-date with current operational realities - approximately half of the work descriptions were last updated in 2006. The 2014 draft Framework, with updated roles and responsibilities, has not been approved or widely circulated.

- The role of the Strategic Transformation and Renewal Directorate (STARD) in the Agency's real property portfolio has continued to evolve since its creation in November 2015. At the time of the audit, both the NRPAD and the STARD were delivering real property projects. While preliminary work was underway to refine roles and responsibilities, the extent to which infrastructure responsibilities and accountabilities would be coordinated between the two directorates had not been finalized.

- In fiscal year 2013-2014, the NRPAD centralized its infrastructure process to support real property planning at a national level. Effective October 2016, real property delegations of authority were removed from the regions and centralized with the Vice-President of the Comptrollership Branch and selected positions in the NRPAD to enhance control over the

infrastructure budget. Following the centralization, the NRPAD found the management of all infrastructure transactions to be resource intensive, which could impact the timeliness of approvals to address operational requirements in the regions. Opportunities exist to continue to refine and calibrate the level of centralization of delegation of authority over infrastructure expenditures with the Agency's capacity to initiate and approve expenses in a timely manner.

- At the executive level, infrastructure accountabilities were identified in performance management agreements. Below the executive level, opportunities exist to ensure specific infrastructure accountabilities are consistently included in the performance agreements of all employees involved in infrastructure management.

30. While the delivery of the Agency's infrastructure has evolved during the audit period, further coordination is required between the two headquarters directorates responsible for its management. Some roles, responsibilities and accountabilities were defined and documented, but were no longer aligned with the current delivery model. Updating and formally communicating the involvement of all key players would support the effective management of the Agency's infrastructure.

Infrastructure Oversight

31. The Agency established oversight committees, and documented and communicated roles and responsibilities through terms of references. Meeting agendas and records of decision are also made available. A summary of the committees involved can be found in Appendix C.

32. The Agency's Real Property Investment Board (RPIB) is the primary decision-making and oversight committee for infrastructure. The RPIB leads the identification, coordination and assessment of proposed infrastructure projects, and makes decisions to allocate the NRPAD capital budget to priorities to support the Agency's real property portfolio. RPIB membership includes senior representation from NRPAD, regions and all Agency branches.

33. The RPIB's work is supported by a Technical Review sub-committee that ranks priorities for proposed infrastructure projects and recommends them for RPIB approval, and by a Corporate Program Services Division Committee that provides an ongoing forum for consultation on infrastructure projects between the Operations and Comptrollership Branches. The RPIB has delegated authority to approve proposed infrastructure projects under $1 M. Projects over $1 M require approval by the Agency's Executive Committee.

34. The audit confirmed that approved projects had been monitored by the RPIB, with additional monthly oversight of projects over $1M by the Transformation, Innovation and Project Portfolio Committee. The Corporate Management Committee and the Executive Committee also monitored major projects on a project by project basis, albeit not consistently.

35. As previously mentioned, during the audit period, the Comptrollership Branch modified organizational structures and practices related to infrastructure management and oversight, including:

- In November 2015, the Strategic Transformation and Renewal Directorate (STARD) was created as a separate directorate outside the NRPAD to deliver transformational infrastructure projects, including the Land Border Crossing Project. While the audit confirmed that the Land Border Crossing Project was discussed at various working groups, and updates were presented to senior executives and Agency-level committees as required, a governance structure for the project had not yet been formalized during the audit period. Opportunities exist to further streamline the governance of all Agency infrastructure projects.

- In July 2016, the Agency revised its investment planning and oversight processes to support strategic and Agency-wide prioritization across all types of assets and investments, including infrastructure. The new process, aligned with the Agency's Project Management Framework, is intended to obtain Agency-level committee approval at specific project gates, before proceeding.

- In July 2016, the NRPAD updated the terms of reference for the RPIB to include the Director General, STARD and formalize the direct reporting relationship to the Corporate Management Committee, in line with the new investment planning process. At the time of the audit, the revised terms of reference had not been approved.

36. While the oversight for the Agency's infrastructure was not centralized during the period of the audit, the Comptrollership Branch made progress towards coordinating oversight. Once in place, the planned integrated oversight structure is expected to improve holistic decision-making.

Priorities and Objectives

37. Defined priorities support the coordination of effort to achieve the Agency's overarching infrastructures objectives. General priorities and objectives for real property management are described in the Agency's Real Property Management Framework as being able to support existing and changing programs by balancing fixed infrastructure supply and demand at a sustainable life-cycle cost.

38. The Agency currently has three processes for establishing and funding custodial real property priorities: the NRPAD's ongoing program, the Accelerated Infrastructure Program, and the STARD's Land Border Crossing Project.

Ongoing Infrastructure Program Funding:

39. The NRPAD's annual call letter process determines infrastructure priorities through a consultative process that engages headquarters branches and the Agency's regions. The process works through a sequential bottom-up/top-down progression initiated by the NRPAD. Regions are invited annually to submit new major and minor capital infrastructure priorities and return a Regional Director General-approved list of funding requests. The RPIB Technical Review Sub-Committee reviews the Regional Director General-approved lists to select projects that merit formal business cases. Regions complete business cases using NRPAD templates and scoring criteria. The RPIB Technical Review Sub-

Committee reviews the business cases, and top scoring business cases are recommended to the Real Property Investment Board, Corporate Management Committee, and/or Executive Committee, as required, for funding.

Accelerated Infrastructure Program – Phase 3 (AIP 3):

40. Since fiscal year 2016-2017, the Agency has been participating in the Treasury Board Secretariat's government-wide Accelerated Infrastructure Program Phase 3 (AIP 3). The AIP 3 is the third phase of an initiative launched under the Canada's 2009 Economic Action Plan to support the renewal of government infrastructure.[9] The AIP 3 will provide the Agency with $63.7 million to recapitalize its custodial infrastructure portfolio by March 2018. The projects that qualified for this program were low risk and low complexity minor capital improvements to real property. The CBSA's projects for the AIP 3 were selected from the list of projects that were previously unfunded through the annual call letter process.

Land Border Crossing Project

41. Since fiscal year 2013-2014, the Agency has been working on the Land Border Crossing Project to accelerate the replacement of its 107 custodial land border ports of entry.

42. At the time of the audit, the Agency had contracted a specialized firm to collect detailed data on the state of repair of custodial ports of entry, complete detailed costing on the ports of entry that could be replaced under the Land Border Crossing Project and develop a business case for presentation to Agency executives and the Treasury Board. The 2015 Federal Budget included $440 M in funding for this initiative. As of September 2016, the Agency had determined that this funding would enable the renewal of 38 land border ports of entry.

43. While the Agency has defined and documented infrastructure objectives and priorities, the rationale to fund projects under either the annual call letter process or AIP 3 could have been communicated to employees involved in managing the projects. For instance, when the AIP 3 funding was received in 2016-2017, the Agency postponed previously approved major capital infrastructure projects to pursue eligible minor capital projects eligible under the AIP 3. At the time of the audit, managers in headquarters and the regions, who had been involved in the major capital projects since inception, were not aware of the rationale for these decisions.

Information for Decision-Making

Infrastructure Planning

44. According to the Treasury Board Secretariat Guide to the Management of Real Property, the physical life cycle of real property is divided into three distinct phases: acquisition; use and operation; and disposal. The Treasury Board Secretariat Guide also introduces investment planning,

---

[9] Portfolio – Our Story 2012-2013 - Real Property – Public Services and Procurement Canada

which is a continuous process wherein the information outputs from each of the other three phases are used as inputs to planning.[10] At a minimum, the Agency's Real Property Management Framework should include systems to regularly and systematically assess relevant program, financial, and real property performance information to prioritize replacement and renewal decisions.[11]

45. At the time of the audit, financial expenditures on fixed infrastructure were entered into and maintained in the Corporate Administrative System. Due to the limitations of the system, the infrastructure data for the life cycle management of real property infrastructure in the Corporate Administrative System is also supported by various practices. Specifically:

- The NRPAD's annual call letter process identifies infrastructure priorities as individual projects, but does not regularly and systematically gather financial and non-financial performance information on the real property portfolio as required by the Treasury Board Policy on Management of Real Property.

- Building Condition Reports (BCR) are prepared by technical specialists to provide a comprehensive status on building deficiencies and the cost of correcting them. The audit found that BCRs were not performed for 34 of the 85 custodial ports included in the audit scope. While BCRs could be systematically used as a basis for the prioritization of replacements to the Agency's real property infrastructure portfolio, the requirement to prepare BCRs on a five-year basis was only included in the 2014 draft Framework.

- The process for determining Land Border Crossing Project priorities was developed by the STARD and based on an analysis of some performance information including age, size, volumes of travellers and conveyances processed, hours of operation and state of repair. This prioritization process used more comprehensive criteria and analysis than those used by the NRPAD in its annual process.

46. While decisions for infrastructure renewal and replacement were based on analyses, holistic planning decisions could be strengthened by consistently using a common framework for the systematic collection and analysis of all relevant program, financial, and real property performance information across the portfolio.

Monitoring Projects

47. The Agency's Project Management Framework requires that infrastructure projects greater than $1 M are monitored on a monthly basis by the Agency's Transformation, Innovation and Project Portfolio (TIPP) Committee. Project information is reported through the Agency's Enterprise Project Management Office dashboards, which support decision making by assessing project health based on standard performance indicators including project health, costs, schedule, scope, risks and issues. Information reported on the Dashboard is compiled by Facility Planning and Project Delivery

---

[10] Treasury Board Secretariat Guide to the Management of Real Property, Section 3.1.2

[11] Treasury Board Policy on Management of Real Property, Section 6.1.1 and 6.1.3, https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=12042

managers in NRPAD and based on reports provided by Public Services and Procurement Canada and data originating in the Agency's regions. The audit confirmed that the five infrastructure projects greater than $1 M in progress during the audit period were reported to the TIPP Committee on a monthly basis.

48. The Real Property Investment Board, Corporate Management Committee, Executive Committee and Corporate Program Services Division also monitor projects greater than $1 M on an ad hoc basis.

49. The extent to which minor projects under $1 M, were monitored was determined on a project-by-project basis by the NRPAD, Corporate Program Services Division and the regions.

50. While oversight bodies and management receive relevant and timely information, opportunities exist to formalize the monitoring requirements for infrastructure projects under $1 M.

51. Overall, there is an immediate need to finalize the transformation of the Agency's real property delivery model, and finalize and communicate a real property management framework that includes oversight, roles, responsibilities, accountabilities, priorities, objectives and monitoring for the Agency's infrastructure.

52. **Recommendation 1:** *The Vice-President of the Comptrollership Branch should finalize and communicate a real property management framework that is aligned with the requirements of the Treasury Board Policy on Management of Real Property.*

MANAGEMENT RESPONSE	COMPLETION DATE
The Vice-President of the Comptrollership Branch agrees with this recommendation. A Real Property Management Framework (RPMF) will be developed and aligned with the current requirements of the Treasury Board's Policy on the Management of Real Property. The RPMF will also be brought forward for approval by the appropriate senior management committee, such as the Executive Committee. Once approved, the RPMF will be disseminated and communicated with all staff at Headquarters and in the Regions.	April 2018

8.2   Risk Assessment

Audit Criteria:
- *A risk management framework is in place to ensure that key risks are identified and adequately managed.*

Risk Management Framework

53. The Treasury Board Secretariat Risk Management Framework describes that effective risk management allows for organizations to respond proactively to change and uncertainty by using risk-based approaches and information to support strategic priority setting, resource allocation and informed decisions. [12] The Treasury Board Secretariat Guide to the Management of Real Property also identifies risk management as a key element of sound stewardship and value for money in the management of real property infrastructure.

54. Risks related to infrastructure are identified at various levels throughout the Agency: i.e., Agency, regional and project levels.

55. Agency-level reports, including the 2014 CBSA Enterprise Risk Profile and 2014-2016 Border Risk Management Plan identify high-level risks related to the real property portfolio. The NRPAD and STARD developed mitigation plans to address identified risks, including:

- **Strategies to fund the recapitalization of the Agency's Ports of Entry:** The Agency has been experiencing chronic shortfalls in the financial resources required to replace aging infrastructure that no longer supports operations due to poor state of repair, age, size, new requirements and environmental concerns. Specific mitigating activities included planning the Land Border Crossing Project and participation in the Accelerated Infrastructure Program. These initiatives could enable the Agency to complete capital replacements and renewal more quickly than the call letter process, and reduce the overall risk level to the real property portfolio.

- **Updates to the 2009 Real Property Management Framework:** The NRPAD prepared a draft Framework in 2014, which provides comprehensive risk guidance in line with the Agency's Enterprise Risk Management Policy and Treasury Board Policy on the Management of Projects; but, it was not approved or widely shared with all employees involved in managing the Agency's infrastructure.

56. At the regional level, risk management practices have evolved based on operational needs and the rigor applied by regional infrastructure management. As a result, risk management practices varied among regions.

57. At the project-level, business cases for infrastructure projects are required to include an assessment of risks and mitigation strategies. Projects over $1M also required an additional assessment of complexity and risk – a Project Complexity and Risk Assessment. When this assessment determines the project to be more complex than the Agency's capacity to manage it, the project requires a Treasury Board Submission and Treasury Board Secretariat oversight. Once projects are approved, ongoing risk management is performed through the Transformation, Innovation and Project Portfolio review of the Enterprise Project Management Office dashboards and regional

---

[12] TBS Framework for the Management of Risk, Section 4-5, https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=19422

reviews of project risk registers. The audit reviewed two projects greater than $1M and found that a Project Complexity and Risk Assessment was prepared for each.

58. While risk management guidance is available, formalizing and communicating this guidance will support the consistent management of risks related to real property infrastructure across the Agency.

59. **Recommendation 2:** *The Vice-President of the Comptrollership Branch should formalize and communicate a risk management regime, as part of the real property management framework, to ensure that key infrastructure risks (e.g. human resources capacity, project management and third party related) are identified, assessed, mitigated and integrated into planning decisions.*

MANAGEMENT RESPONSE	COMPLETION DATE
The Vice-President of the Comptrollership Branch agrees with this recommendation. A comprehensive risk management framework, integrated with the RPMF, will be developed, implemented and integrated into Real Property planning and decision making.	August 2018

8.3 Internal Controls

> **Audit Criteria:**
> - *Real property infrastructure is managed in accordance with CBSA/Central Agency requirements and aligned with an established lifecycle methodology*
> - *Headquarters and the regions have the capacity and expertise to manage infrastructure.*

60. Internal controls help provide reasonable assurance that the Agency's infrastructure program will efficiently and effectively support existing and changing programs in accordance with relevant regulations, policies and procedures.[13]

Project Management Framework

61. The Agency's Project Management Framework requires infrastructure projects to follow the Public Services and Procurement Canada's project management life cycle. Generally, once approved for funding, Public Services and Procurement Canada delivers real property projects for the Agency with the National Project Management System, which is a real property project management process that incorporates well-defined deliverables and gates.

---

[13] TB Policy on Internal Control, Appendix A, https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=15258

62. The National Project Management System process requires that key deliverables be approved by the Agency including a Project Charter and a Project Management Plan. The Agency's Enterprise Project Management Office Wiki identifies key stakeholders that must be consulted as part of the approval process. The audit reviewed two projects greater than $1M and confirmed that key stakeholders were consulted at each project gate as required and approved key deliverables.

Capacity and Expertise to Manage Infrastructure

63. Core competencies for the Agency's real property professionals have been established and posted on the Agency's real property Wiki.

64. While no mandatory training was required, some training on real property infrastructure and project management was available through the Canada School of Public Service. Without formalized training requirements, employees involved in managing the Agency's infrastructure pursued various learning activities. At the time of the audit:

- Seven out of the 17 regional employees interviewed were enrolled in or had completed training related to the management of projects or real property management and delivery;

- Five regional employees were either enrolled in or had completed a certification from the Building Owners and Managers Association or Facilities Management Association; and

- One of the three regions also developed and offered in-house infrastructure management training.

65. Opportunities exist to formalize training standards for employees to develop and maintain the required skills to manage the Agency's infrastructure.

66. The audit found that the NRPAD and regions had experienced high turnover rates in the past few years. Employees leave the Agency for similar positions in other Government departments or the private sector, as some departments have specialized or higher paying classifications that are more attractive for infrastructure management employees.

67. As an example, during the audit, four members of the NRPAD senior management team left the Agency within a short period of time. These departures impacted the Directorate's ability to discharge its responsibilities and accountabilities for making all real property infrastructure related decisions and for providing functional direction to regional staff. The following table provides a summary of the employee vacancies turnover in the NRPAD between fiscal years 2013-2014 and 2016-2017:

Table 2: NRPAD Infrastructure Management Employee Vacancies and Turnover

	2013-2014	2014-2015	2015-2016	2016-2017
Arrivals	2	1	12	10
Departures	6	8	23	16
Net Difference	-4	-7	-11	-6

68. The NRPAD and the regions were aware of the staffing gaps caused by retention difficulties and indicated that the shortages have resulted in increased operational workloads that further hinder the capacity to staff vacant positions. A long-term plan to address resourcing has not yet been developed.

69. There is an ongoing risk that the Agency will not have enough employees with the necessary skills and expertise to deliver its infrastructure program.

70. **Recommendation 3:** *The Vice-President of the Comptrollership Branch, in collaboration with the Vice-President of the Operations Branch, should develop and implement a sustainable organizational strategy to have the required capacity to effectively manage the Agency's real property infrastructure.*

MANAGEMENT RESPONSE	COMPLETION DATE
The Vice-President of Comptrollership agrees with the recommendation and will work closely with the vice-presidents of Operations and Human Resources to develop and implement a sustainable, organizational staffing strategy to build capacity, at Headquarters and in the Regions, to deliver on the Agency's real property infrastructure program, priorities and major projects. The Agency's ability to fund and recruit new personnel will be a key driver in ensuring the effective and successful implementation of this strategy. This strategy will be aligned with the CBSA Renewal initiative.	October 2018

PROTECTION • SERVICE • INTEGRITY   17

APPENDIX A – ABOUT THE AUDIT

AUDIT OBJECTIVE AND SCOPE

The objective was to ensure there are effective controls and practices in place to support the management and renewal of the Canada Border Services Agency's (CBSA or the Agency) real property infrastructure.

The audit scope included an assessment of the:

- Governance, management and oversight of the Agency's real property infrastructure;
- Capacity of headquarters and the regions to manage real property infrastructure; and
- Effectiveness of processes and procedures in place to ensure that the Agency's real property infrastructure investments and human resources capacity are aligned with its strategic objectives.

The audit period included practices in place from April 1, 2013 up to December 31, 2016. Based on the size and value of the real property infrastructure portfolio, the audit included the Quebec, Prairie and Pacific Regions.

The audit scope partially excluded the following:

- Land Border Crossing Project: As of September 23, 2016, the Agency identified 38 of its land border Custodial Ports in poor state of repair for renewal under the Land Border Crossing Project. In June 2016 the Agency engaged a consulting firm to support the project costing in preparation for an anticipated Treasury Board Submission in May 2017. The audit included an assessment of the governance in place to support the project.

The audit scope excluded the following:

- Section 6 properties, leased space including international postal terminals: The Agency's Real Property Management Framework identifies these as 'spaces falling outside the CBSA Infrastructure Portfolio', the rationale being that '…it is mainly up to the owner/service provider to assure legislative and regulatory compliance, including Treasury Board policies (if applicable).'
- An assessment of the classification of the staff responsible for real property; the Agency's Internal Audit and Program Evaluation Directorate started an audit of classification in Q4 of 2015-2016 that identified the Agency's Administrative Structure Review, which may include infrastructure management classifications.
- An assessment of compliance of the Agency's in-place infrastructure with legislated and policy requirements for federal real property (e.g. compliance with the National Fire Code of Canada). The Agency has undertaken several reviews of the state of its real property infrastructure, including a threat and risk assessments, a gap analysis, and an NRPAD control self-assessment, that have documented shortfalls in the Agency's infrastructure vis-à-vis program, operational and legislated/regulatory requirements.

The Audit of Real Property Infrastructure Management was approved as part of the CBSA's 2014-2015 to 2016-2017 Integrated Audit and Evaluation Plan.

RISK ASSESSMENT

A preliminary risk assessment was conducted to identify potential areas of risk and audit priorities. This assessment was based on interviews with various senior management and staff involved in program delivery at headquarters and in the regions, and a review of documentation related to the management of real property infrastructure. The following key risk areas were identified:

1. **Governance: There is a risk that:**
   - The Agency's strategic infrastructure renewal activities, priorities, resources and projects may not be aligned to its mandate and mission.

   - The Agency may be unable to initiate, manage, or sustain needed organizational, program, policy, or other changes in respect of its strategic infrastructure renewal;

   - External stakeholders (i.e. Shared Services Canada and Public Services and Procurement Canada) with key roles and responsibilities for the Agency's strategic infrastructure renewal may not be engaged to support its objectives; and

   - Relevant and timely information on the operating, maintenance and replacement and refurbishment costs (and associated life-cycle condition) of its infrastructure assets may not be available to support decision making.

2. **Risk Management: There is a risk that:**
   - All relevant factors and risks may not be incorporated and integrated in the planning, approval, replacement, management and monitoring of the Agency's infrastructure.

3. **Internal Controls: There is a risk that:**
   - The management of infrastructure may not include the entire life cycle.

   - The Agency may be unable to attract and retain sufficient staff with the appropriate qualifications, experience and skills.

AUDIT APPROACH AND METHODOLOGY

The audit was conducted in accordance with the *Internal Auditing Standards for the Government of Canada* and the *Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing.*

The following techniques were used during the examination phase of the audit:

- Reviews of applicable policies, directives and procedures governing the management of infrastructure.
- Interviews with Headquarters and Regional Corporate Program Services Division personnel responsible for the management of infrastructure projects.
- A review of process involved in identifying and approving infrastructure projects.
- A review of the governance structure in place to manage infrastructure

- A review of monitoring and reporting as to the status of infrastructure projects.

AUDIT CRITERIA

The Audit criteria are aligned with the management control principles from the 2013 Committee of Sponsoring Organizations of the Treadway Commission and relevant Treasury Board and Public Services and Procurement Canada policies and frameworks related to real property.

Line of enquiry 1 applies to both the ongoing infrastructure management program and the renewal of custodial ports of entry. Lines of enquiry 2 and 3 apply only to the ongoing infrastructure management program.

LINES OF ENQUIRY	AUDIT CRITERIA
1. **Governance and Strategic Direction:** Oversight body(ies) have been established, provides consistent direction and performance indicators, and monitors infrastructure projects.	1.1 The Agency has defined, documented and communicated infrastructure priorities and objectives. 1.2 Roles, responsibilities and authorities for the oversight and management of infrastructure are defined, documented and communicated. 1.3 Oversight body(ies) and management receive relevant and timely information to support decision-making and monitoring.
2. **Risk Assessment:** Risks are identified and managed to ensure the achievement of the infrastructure program objectives.	2.1 A risk management framework is in place to ensure that key risks are identified and adequately managed.
3. **Internal Controls:** Controls are in place to ensure effective and efficient management of Real Property Infrastructure.	3.1 Real Property Infrastructure is managed in accordance with CBSA/Central Agency requirements and aligned with an established life-cycle methodology. 3.2 Headquarters and the regions have the capacity and expertise to manage infrastructure.

APPENDIX B – CBSA'S RESPONSIBILITIES FOR INFRASTRUCTURE

STAKEHOLDERS	RESPONSIBILITIES
President	• Ensuring real property is managed in a sustainable and financially responsible manner, to support the cost-effective and efficient delivery of the Agency's programs.
Vice-President, Comptrollership Branch	• Providing corporate and operational leadership for the stewardship of real property infrastructure, financial, physical and materiel resources, to assure transparency and integrity in the management of the Agency's programs.
Director General, National Real Property and Accommodations Directorate (NRPAD), Comptrollership Branch	• Championing, leading and coordinating the Agency's functional authority for real property. • Chairing the Real Property Investment Board. Developing and maintaining a Real Property Management Framework. • Establishing national priorities in accordance with Agency needs and available resources. • Developing infrastructure programs for the Agency, and providing functional direction • Advising the Vice-President of the Comptrollership Branch on all infrastructure issues.
Director General, Strategic Transformation and Renewal Directorate, Comptrollership Branch	• Providing executive leadership for the Agency's border infrastructure renewal and transformation initiatives. • Developing associated business cases, program requirements, and Treasury Board submissions.
Vice-Presidents	• Communicating infrastructure needs. • Implementing programs within their areas of accountability related to infrastructure.
Regional Infrastructure Management, Operations Branch	• Managing the day to day of regional infrastructure. • Maintaining inventory and Building Condition Reports. • Identifying regional infrastructure issue. • Developing business cases to support priorities and escalate to be approved by the Regional Director General and referred to the NRPAD. • Liaising, coordinating and communicating with Agency stakeholders and Public Services and Procurement Canada for the delivery of infrastructure projects and maintenance.

APPENDIX C – CBSA'S INFRASTRUCTURE GOVERNANCE

Governance Committee	Description	Oversight:
Executive Committee	The Agency's senior management decision-making forum responsible for the overall strategic management and direction of the Agency's policy, program and corporate responsibilities.	**Indirect / Ad-hoc**
Corporate Management Committee	Reports to the Executive Committee. Supports the co-chairs and members in decision making related to their authorities in strategic management and stewardship of human resources, financial resources, and investments including infrastructure.	**Indirect / Ad-hoc**
Transformation Innovation and Project Portfolio Committee	Reports to the Executive Committee. Supports co-chairs and members in decision-making related to project portfolios within their authority.	**Direct**
Real Property Investment Board	Reports to the Corporate Management Committee. The Agency's primary decision-making committee for infrastructure. Allocates capital budget based on Agency priorities, available resources, risk, and operational needs.	**Direct**
Real Property Investment Board Technical Review Sub-Committee	Reports to the Real Property Investment Board. Established in 2013. Provides oversight and establishes control mechanisms for the ongoing review of business cases. Ranks infrastructure priorities and recommends which initiatives to fund based on a holistic view and representation from a cross-section of Agency branches and program areas.	**Direct**
Corporate Program Services Division (CPSD) Committee	Management meeting for the Vice-Presidents and Directors General of the Comptrollership Branch to interact with the Regional Director Generals and Directors of CPSD from the Operations Branch on common functions and issues.	**Indirect / Ad-hoc**

APPENDIX D – LIST OF ACRONYMS

AIP 3	Accelerated Infrastructure Program – Phase 3
BCR	Building Condition Report
CBSA	Canada Border Services Agency
CPSD	Corporate and Program Services Division
IAPED	Internal Audit and Program Evaluation Directorate
NRPAD	National Real Property and Accommodations Directorate
RPIB	Real Property Investment Board
RPMF	Real Property Management Framework
STARD	Strategic Transformation and Renewal Directorate
TIPP	Transformation, Innovation and Project Portfolio Committee