

FOLLOW-UP AUDIT

OF

LEASEHOLD ADMINISTRATION REVIEW

CONDUCTED IN 1999

FINAL REPORT

Performance, Audit and Review Group

Follow-up Audit of Leasehold Administration Review Conducted in June 1999

A review of the practices of Leasehold Administration within the Parks Canada Agency was conducted by Consulting and Audit Canada in June 1999. This preliminary review, which was not an audit, was designed to explore the administrative practices to determine the effectiveness and efficiency of the administration of Parks Canada's lease, licence and concession agreements. Several opportunities for improvement were identified.

Standard 2500.A1 of the Professional Practice of Internal Auditing requires the establishment of a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. The 2000-2001 Audit, Evaluation and Review Plan included "Follow-up on Past Audits of Lease and Concession Agreements". The Leasehold Administration Review was considered related to those audits, and a follow-up was initiated.

The table attached to this report shows the observations and suggestions made during the review, management's response, and the current status of each item as of September 2002.

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**Parks Canada Leasehold Administration Review
by Consulting and Audit Canada, June 1999**

OBSERVATION/SUGGESTION	RESPONSE	CURRENT STATUS -Sep 2002
<p>Assessment of Compliance: It was suggested that Parks Canada create an action plan for issuing an updated Policy and Operating Guidelines for Management of Real Property Administered by Parks Canada Agency, create an updated electronic version of its interim policy, and also establish tools like a bulletin board and virtual help desk to better distribute and access realty expertise.</p>	<p>The first action (i.e., creating an action plan to update the policy) is also identified in the report as one of two key next steps to take. To date, no formal action plan for updating the Policy has been completed although a review and update is being planned 2000/01. Resourcing for this initiative is an issue. The current interim policy is 5+ years old. An electronic version will be installed, when the review and update has been completed, on an intranet website along with other land management systems.</p>	<p>The Interim Policy and operating Guideline are being reviewed in 2002/03 and revised drafts are expected by July 2003. This work is being done in conjunction with proposed revisions to the National Parks of Canada Lease and Licence of Occupation Regulations.</p> <p>Electronic copies of the current policy are available on the X drive in the national office and upon request from field units.</p> <p>PROGRESSING</p>
<p>Systemic Risks and Obstacles: It was suggested that Parks Canada consider delegation of signing authority to realty specialists for minor and routine processes such as issuance of utility permits, that it review various legal instruments for responding to non-compliance, that it look into using the New Contraventions Act for provisions of fines in relation to non-compliance with realty management, and that it establish succession plans in order to minimize risks due to loss of corporate memory.</p>	<p>New Ministerial delegation of authorities to field units were implemented in August 1999 with respect to the approval and signing of various realty activities. Meetings have been held with respect to the use of the Contravention's Act. Changes are being implemented for its' use in enforcement of national park regulations such as business licensing and building permits. There is not any application for use of the contravention's act in administering lease agreements.</p> <p>Succession planning and career development are priorities for the organization and changes in the land management area are being planned for the year 2000/01.</p>	<p>Delegated authorities are in place for all requisite realty functions.</p> <p>The Contraventions Act has been reviewed for application with respect to lease and licence compliance issues and it has been deemed as not applicable.</p> <p>DONE</p> <p>Succession planning has been discussed in various forms. Field Units are taking the lead for their own planning. No national plan is being prepared.</p> <p>PROGRESSING</p>
<p>Adequate Information and Controls: It was suggested that national office develop tools such as BF modules, document templates, seamless GIS integration, as well as accelerating the customization of the SAP financial system accounts receivable module in order to improve the information base.</p>	<p>A BF component has been added to the National Realty System (NRS) and master document templates are being created for installation into the system in the year 2000/01. Integration of single point data entry between the NRS and field unit GIS systems has begun with Waterton Townsite being the first to be linked. Links with the financial systems and the NRS are being investigated. A strategy to link the NRS with common systems will be developed in 2000/01 in consultation with systems managers.</p>	<p>Currently working with the im/it group looking into linkages between the National Realty Systems and other Parks Canada common systems. A GIS study is part of the im/it work.</p> <p>Expect this issue will be resolved as part of the national standardization of im/it systems. All system connectivity will occur at the data base level within the national data warehouse.</p> <p>PROGRESSING</p>

OBSERVATION/SUGGESTION	RESPONSE	CURRENT STATUS -Sep 2002
<p>Roles and Responsibilities: It was suggested that Parks Canada issue a companion document to the new delegation of signing authorities affirming roles and responsibilities and addressing/clarifying accountability issues in relation to economic rent and public good.</p>	<p>A desk manual for use with the new delegation of authorities will be developed as a companion document to the national policy in 2000/01. Processes and policy with respect to issues related to economic rent and public good are being finalized as part of the 2000 decennial rent review to be completed in the fall 2000.</p>	<p>No action to date. This project is tied to the policy review and regulations update.</p> <p>PROGRESSING</p> <p>(linked to “Assessment of Compliance” above)</p>
<p>OTHER “ought to be addressed”</p>	<p>RESPONSE</p>	
<p>“The need for closer monitoring of process efficiency” In essence, managers should be monitoring compliance with the terms and conditions of the agreements for which they are responsible and use a form of self assessment to identify weakness in their monitoring processes.</p>	<p>It has been recognized that monitoring of lease and licence agreements requires more attention and discussions have been held to start to identify functions and individuals responsible for land management.</p> <p>Field unit superintendents were specifically advised in November 1999 when the Audit, Evaluation and Review Framework was approved by Executive Board that unit managers are expected to undertake their own audits, evaluations and/or reviews of their administrative processes or programs as part of accounting for use of resources and achievement of results (e.g., individual lease and concession audits, reviews of compliance with contracting rules). There has been no monitoring of the extent to which units are following up on this expectation.</p>	<p>There has been no monitoring of compliance activities by the National Office.</p> <p>OUTSTANDING</p>
<p>“The need to develop an audit plan for auditing individual lease and concession agreements based on a judgement sample of all agreements.</p>	<p>There have been discussions in Parks Canada about how national office can contribute to the audits of individual lease and concession agreements. As noted above, unit managers are expected to carry out these audits as part of their normal accountabilities. The Agency’s national Audit, Evaluation and Review Plan will look at more systemic issues. A project looking at rates of return on lease and concession agreements as well as the implications of moving more agreements to a % of gross revenue basis is being considered for the 2000-2001 fiscal year.</p>	<p>Audit plan to be developed by the Performance Measurement and Evaluation group.</p> <p>PROGRESSING</p> <p>(A review of the rate of return for commercial leases and concessions is an approved project on the 2002-2003 Audit, Evaluation and Review Plan)</p>