



Horizontal Internal Audit of Integrated Business and Human Resources Planning in Small Departments

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Table of Contents

[Executive Summary](#)

[Conformance With Professional Standards](#)

[Background](#)

[Audit Objective and Scope](#)

[Detailed Findings and Recommendations](#)

[Finding 1: Central Agency Guidance](#)

[Finding 2: Setting Direction](#)

[Finding 3: Assessing Gaps, Prioritizing and Strategizing](#)

[Finding 4: Monitoring and Reporting](#)

[Conclusion](#)

[Management Response](#)

[Appendix A: Small Departments Included in the Audit](#)

[Appendix B: Links to Applicable Legislation, Frameworks, Policies, Directives and Guidance](#)

[Appendix C: Objectives and Related Criteria](#)

Executive Summary

The objective of this audit is to assess the adequacy and effectiveness of small departments' (SDs ¹) integrated business and human resources planning activities.

Why This Is Important

Integrated planning is the combination of business planning—setting directions and priorities for an organization—and human resources planning—putting in place the people to achieve the desired results for the organization and, ultimately, for the public service as a whole. Integrated planning goes hand-in-hand with building effective and cohesive organizations. It requires clarity about key goals and the skills and capacity needed to achieve them. In SDs, where capacity is often limited, effective integrated planning can enable departments to recruit, retain, and maximize their available resources. In light of the recent cost containment measures in the federal public service, having effective human resources strategies in place, developed through integrated planning, will help SDs to deliver on their mandate and their business goals.

Key Findings

Sufficient guidance for integrated planning is available to departments from a variety of sources and departments make use of this guidance in meeting their obligations. There are however opportunities for Treasury Board Secretariat (the Secretariat) through the Office of the Chief Human Resources Officer and Government Operations Sector to disseminate and/or further facilitate the sharing of good practices within the community.

In most SDs tested, business planning and human resources planning are integrated and SDs have begun implementing elements of succession planning. There are processes in place and direction and guidance from senior management to support planning across SDs allowing them to set priorities for the organization to achieve their mandate and meet broader government priorities and initiatives.

SDs have put in place mechanisms to monitor performance against their integrated plans. Monitoring has informed priority setting for subsequent years and allows them to meet both central agency and departmental reporting requirements. SDs are making changes as required to improve and streamline planning in their organizations to ensure planning exercises continue to add value to their organizations.

Conclusion

Overall, integrated planning in most of the SDs tested is adequate and effective. Most SDs have implemented the key planning steps and processes from the Treasury Board Secretariat's Integrated Planning Guide which have enabled them to support current and future organizational needs. Planning has been integrated across the organizations and supported by senior management. Some noteworthy practices and tools are being employed including resource sharing, talent management and developmental programs, and specialized planning databases for resource allocation. There is an opportunity for

the Secretariat to further facilitate the sharing of exemplary practices. In support of financial responsibility and cost containment, departments are focused on achieving efficiencies in operations and have refocused business processes and service delivery platforms. More than ever before, adequate and effective integrated planning put in place by departments will help them to make informed decisions, maximize their output and meet their mandates.

Conformance With Professional Standards

This engagement was conducted in accordance with the Internal Auditing Standards for the Government of Canada. A practice inspection has not been conducted.

Anthea English, CA

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Background

The importance of integrated business and human resources (HR) planning in the federal public service was highlighted with the launch of the Public Service Renewal initiative in 2006–07. Renewal was a key priority in the Clerk of the Privy Council's *Fourteenth Annual Report to the Prime Minister on the Public Service* and has remained a priority in subsequent reports. Integrated planning is a key step in implementing the *Public Service Modernization Act* and in promoting healthy federal public service organizations that retain competent, committed and engaged employees.

In 2007, the Treasury Board Secretariat (the Secretariat) issued the *Integrated Planning Guide* ² (the Guide) to help departments integrate HR and business planning in order to deliver on departmental goals and to provide services to Canadians. The Guide provides a five-step approach to integrated planning. The five steps are as follows: determine business goals; scan the environment; conduct a gap analysis; set HR priorities to help achieve business goals; and measure, monitor and report on progress.

Building on the Clerk's work was the December 2008 *Report of the Expert Panel on Integrated Business and Human Resources Planning in the Federal Public Service* (Expert Panel Report). The Expert Panel Report concluded that the Public Service had made a good start implementing integrated planning but that planning had not yet

matured ³ and there were many opportunities for improvement. The Expert Panel Report focuses on four key recommendations:

- There should be continued affirmation of the importance of integrated planning from the Clerk of the Privy Council;
- Deputy Ministers should drive integrated planning and model integrative behaviours;
- Exemplary practices should be disseminated and shared; and
- The centre, in particular, the Secretariat, should support and facilitate.

The Expert Panel Report emphasized that the implementation of integrated planning is an evolving multi-year process and that the best approach is a simple one—simple to apply, simple to understand and simple to sustain. It also recommended that, to the extent possible, all information be integrated into one overall plan. The Expert Panel Report highlighted several exemplary practices from the private and public sectors.

Audit Objective and Scope

The objective of this audit was to assess the adequacy and effectiveness of SDs' integrated business and human resources planning activities.

The determination of the adequacy of planning in the SDs tested was based on the extent to which the five-step approach described in the Secretariat's Guide was implemented.

Planning was defined as effective if the process an SD followed resulted in the development, implementation and monitoring of integrated business and HR plans that supported current and future organizational needs ⁴. Appendix B contains a list of sources for criteria and Appendix C contains a detailed listing of the objectives and related criteria used in the audit.

The audit covered planning activities in SDs undertaken for the development of plans for the 2011–2012 fiscal year—integrated, business, HR, parliamentary requirements, and other plans, as applicable. Processes employed for 2012–2013 planning were also taken into consideration to supplement the evidence, as required.

Fifteen SDs participated in the audit. In addition, the Secretariat was included in the audit because of its role as a central agency in providing guidance to departments. Appendix A contains a list of the fifteen departments included in the audit.

Detailed Findings and Recommendations

Finding 1: Central Agency Guidance

Sufficient planning guidance is available to SDs from various sources, however sharing of good practices could be further facilitated

We reviewed integrated planning guidance provided to departments by the Secretariat to determine whether it is sufficient, whether expectations are achievable and effective, and whether the Secretariat is facilitating the sharing of exemplary practices with SDs.

Support and facilitation from the Secretariat helps ensure that SDs understand what is required and expected of them in the area of integrated planning. The sharing of exemplary practices by the Secretariat enables the efficient communication of those practices and encourages SDs to continuously improve in the area of integrated planning.

Sufficient guidance is available from a variety of sources

Sufficient guidance for integrated planning is available to departments from a variety of sources and departments make use of this guidance in meeting their obligations. There are opportunities to improve the coordination of this guidance to ensure that clear and consistent planning expectations and requirements are communicated to departments.

SDs receive planning guidance through multiple central agency policies and through legislation, such as the *Policy on the Management of Resources and Results Structures* which includes the Report on Plans and Priorities (RPP) ⁵ and the Departmental Performance Report (DPR) ⁶ requirements, the *Policy on Investment Planning*, and the *Public Service Employment Act*. In addition, the Guide was developed to provide integrated planning guidance to departments; however, during the course of the audit, resources were not available to provide support for the Guide to departments. SDs, instead, sought planning guidance from their Treasury Board Analyst, portfolio and other departmental contacts, policy centres, the Governance Directorate within the Government Operations Sector, and interdepartmental networking groups under the umbrella of the Community of Federal Agencies (CFA) including the Small Agencies Administrative Network (SAAN) and the Personnel Advisory Group (PAG).

With guidance being provided from a variety of sources, there is a risk that departments receive inconsistent advice or that central agency expectations are unclear. The Secretariat has recently repurposed its resources to support integrated planning in departments. In order to provide guidance to departments, the Secretariat is encouraged to coordinate both internally and externally with other central agencies or departments performing a central function for SDs.

There is opportunity to further facilitate the sharing of integrated planning practices.

The Expert Panel Report noted that successful planning efforts from the Public Service should be shared and enhanced through referencing in other organizations and sectors. The exemplary practices included in the Guide and the Expert Panel Report refer only to large departments and private sector organizations; there is a deficiency of examples from SDs. SDs also noted that the Secretariat could take the lead in sharing more SD planning practices and expectations through departmental networking groups such as the SAAN.

SD level best-practices would facilitate planning in SDs and would illustrate and clarify central agency and SD expectations as to where SDs concentrate their planning resources and efforts.

Finding 2: Setting Direction

Processes for setting strategic direction and priorities are in place in SDs.

We examined management processes for setting priorities and integrating input from all areas of the organization, including roles and responsibilities, information systems, and links between branch plans and the departmental plan. We also reviewed whether SDs, in setting priorities, have considered their mandate, legislative requirements and their role in meeting broader Government of Canada priorities.

Defined roles and responsibilities for planning provide accountability and clarity of process; information systems support decisions about resource allocation. When senior management leads planning, it provides employees with clear strategic direction and fosters a planning culture within the organization. Middle management involvement ensures that operational realities are captured in the departmental plan and facilitates linkages between planning at the branch and departmental levels. Finally, consideration of broader Government of Canada priorities in planning helps reaffirm departments' role in achieving government-wide objectives.

Senior management is driving planning in SDs and there are processes in place to integrate input from all areas of the organization.

The size of most SDs and frequent interactions between senior and middle management facilitate organization-wide input on planning. A description of roles and responsibilities for planning is present in all SDs. In most SDs, priorities are set by a senior management

committee chaired by the deputy head and are communicated to employees by senior management at staff meetings and retreats. Finance and HR representatives participate in management committee meetings and present financial and HR reports from departmental information systems to support planning, budgeting and resource-allocation decisions. Middle management provides input through participation in planning sessions and committees and by linking branch-level operational planning, done in the larger SDs, to the departmental plan.

Some exemplary practices were observed: one SD maintains a single, comprehensive planning and reporting governance document, which provides clarity and simplicity of process – a critical success factor. Two larger SDs maintain specialized planning databases to support resource allocation and training and to facilitate clear links between HR and operational objectives.

In setting priorities, SDs are considering their mandate, legislative requirements and their role in meeting broader Government of Canada priorities.

Most SDs have focused mandates and few program activities, which facilitates linkages between their business goals, mandate, applicable legislation and Government of Canada outcomes. SDs have also identified strategic partners – for example, through shared interests, as part of their program activities, or for cost recovery purposes – who help them achieve their mandate, business goals, and by extension government-wide outcomes. These partnerships are particularly important given most SDs' small budget and staff complements. SDs are also participating in the implementation of major government-wide priorities, such as the Clerk of the Privy Council's priorities, Speech from the Throne and cost containment initiatives, which are included in most SDs' plans.

Finding 3: Assessing Gaps, Prioritizing and Strategizing

Integrated planning is in place in SDs.

We reviewed whether the key integrated planning steps from the Guide – setting business goals, scanning the environment, conducting a gap analysis, setting HR priorities and determining strategies to achieve goals – were in place in SDs and being implemented to develop integrated plans.

Following the key steps of integrated planning allows organizations to assess and understand their current and future HR needs to meet business objectives.

Most SDs have implemented key integrated planning practices.

SDs are performing the key elements of integrated planning. SDs determine their business goals for the RPP or a departmental strategic plan. As part of their priority setting, SDs scan their environment to identify factors and risks affecting their ability to meet their business goals. Most SDs perform a workforce analysis to identify gaps in required human resources to meet goals, such as skills shortages, employment equity, and vacancies, including Governor-in-Council appointees. Using this analysis, most SDs have identified their human resource priorities, such as recruitment, training and strategies to address these priorities. Most SDs analyze the cost of options in determining their strategies to achieve business goals, but this cost analysis is not consistently documented given the size and informality of many SDs. We would encourage SDs to document this cost analysis to provide support for these decisions.

The management and planning of succession in SDs is one of the key strategies in addressing HR priorities for SDs as knowledge is retained by few individuals making the impact significant when those individuals depart or retire. Most have recognized these risks, have identified it as a priority in their integrated plans and have begun implementing strategies to mitigate these risks - SDs are encouraged to continue the work they have started in this area.

Some exemplary practices in implementing integrated plans were observed: one SD has created a corporate learning curriculum to address gaps in skill sets for the organization. Some SDs have created succession pools, ready to assume key vacancies as required while some smaller SDs are sharing staff with a similar department to improve employee retention, provide greater learning opportunities and a consistent workload and to reduce costs.

Finding 4: Monitoring and Reporting

There are mechanisms in place in SDs to monitor performance for integrated planning.

We reviewed the systems and mechanisms that SDs use to track performance of integrated planning outcomes. We also examined whether the planning being done by SDs is providing value to the organization.

Monitoring is a key piece of the integrated planning process which allows departments to assess whether objectives are met and resource allocation is adequate so they can make

adjustments to next year's plans and priorities. Continuous review and improvement of processes over time helps to ensure that the information gathered and plans made are useful, relevant and provide value to departments.

Departments are monitoring and tracking performance indicators for integrated planning through central agency and departmental reporting mechanisms.

All SDs are monitoring the plans – departmental and required – they have put in place to fulfill central agency reporting requirements. In addition to required reporting, most SDs track performance for integrated planning through action plans, which are updated and presented to management committees by the individuals responsible for their implementation, in addition to regular financial and HR systems reports. In most SDs, planning deliverables are included in executive performance agreements which provide accountability and incentive to those charged with achieving organizational and, by extension, government-wide objectives.

Plans are also monitored to inform priority-setting for the following year. Some SDs also demonstrated the value that the planning provides to support business decisions, such as project funding and staffing, particularly in times of change and given recent government-wide cost containment. SDs are encouraged to consistently document their performance monitoring to help support these types of decisions.

SDs are making changes as required to improve and streamline planning in their organizations

Implementing integrated planning is not a simple exercise. It is a multi-year endeavour during which departments can learn from their experiences, implement changes, and continuously improve their processes. In some SDs, there was evidence that process improvements were being made annually, such as streamlining or requesting additional information from managers and changes to integrated planning templates to improve the efficiency or quality of the process. One SD had a formal mechanism in place to gather manager feedback on and make improvements to all departmental processes, including planning.

The Expert Panel Report emphasized that at a minimum integrated planning is about linking people plans to business goals but ultimately integrated planning needs to pull everything together. As planning in SDs evolve and mature we would encourage them to continue their integration of additional elements beyond business and HR such as information technology, accommodations and procurement.

Conclusion

Overall, integrated planning in most of the SDs tested is adequate and effective. Most SDs have implemented the key planning steps and processes from the Treasury Board Secretariat's Integrated Planning Guide which have enabled them to support current and future organizational needs. Planning has been integrated across the organizations and supported by senior management. Some noteworthy practices and tools are being employed including resource sharing, talent management and developmental programs, and specialized planning databases for resource allocation. There is an opportunity for the Secretariat to further facilitate the sharing of exemplary practices. In support of financial responsibility and cost containment, departments are focused on achieving efficiencies in their operations, and have refocused business processes and service delivery platforms. More than ever before, adequate and effective integrated planning put in place by departments will help them to make informed decisions, maximize their output and meet their mandates.

Management Response

The findings of this audit were presented to each of the fifteen departments included in the scope of the audit.

Management in the fifteen departments and the Secretariat has agreed with the findings included in this report.

Appendix A: Small Departments Included in the Audit

1. Canadian Centre for Occupational Health and Safety (CCOHS)
2. Canadian Human Rights Commission (CHRC)
3. Canadian International Trade Tribunal (CITT)
4. Federal Economic Development Agency for Southern Ontario (FEDDEV)
5. Military Police Complaints Commission (MPCC)
6. NBCNational Battlefields Commission (NBC)
7. National Energy Board (NEB)
8. Office of the Correctional Investigator (OCI)
9. Office of the Secretary to the Governor General (OSGG)
10. Parole Board of Canada (PBC)
11. Patented Medicine Prices Review Board (PMPRB)
12. Registrar of the Supreme Court of Canada (RSCC)

13. Registry of the Competition Tribunal (RCT)
14. Registry of the Specific Claims Tribunal of Canada (RSCT)
15. Security Intelligence Review Committee (SIRC)

Treasury Board of Canada Secretariat (the Secretariat) was also included in the audit as owner of the Guide.

Appendix B: Links to Applicable Legislation, Frameworks, Policies, Directives and Guidance

Sources of Criteria and Web Link

1. [Public Service Employment Act](#)
2. [Public Service Modernization Act](#)
3. [Financial Administration Act](#)
4. [Policy Framework for People Management](#)
5. [Policy on the Management of Resources and Results Structures](#)
6. [Policy on Investment Planning – Assets and Acquired Services](#)
7. [Policy on Financial Management Governance](#)
8. [Report of the Expert Panel on Integrated Business and Human Resources Planning in the Federal Public Service](#)
9. [Treasury Board of Canada Secretariat: Integrated Planning Guide](#)
10. [Treasury Board of Canada Secretariat: Succession Planning and Management Guide](#)
11. [Western Diversification Canada: Internal Audit of Integrated Human Resource Planning](#)
12. [Office of the Auditor General of Canada – Modernizing Human Resource Management](#)
13. [U.S. Government Accountability Office – Workforce Planning](#)

Appendix C: Objectives and Related Criteria

The objective of this audit is to assess the adequacy and effectiveness of SDs' integrated business and human resources planning activities.

1. **Setting Direction** – A collective suite of management processes are in place to set and communicate strategic direction and priorities for the organization.

- 1.1 Departments have put in place management processes to both integrate input from all areas of the organization and ensure an understanding of the planning process across the organization (Expert Panel Report, Integrated Planning Guide)
 - 1.2 Departments have considered their mandate, legislative requirements and their role in the meeting of broader Government of Canada priorities in setting business goals for the organization (Integrated Planning Guide)
 - 1.3 Senior management has set clear priorities for the organization and these priorities have been communicated and acted upon throughout the organization (Expert Panel Report)
2. **Determining Capacity** - All levels of the organization are assessed to determine capacity requirement to fulfil the organization's mandate and objectives.
 - 2.1 Departments have examined both internal and external factors that may impact their ability to achieve business priorities (Integrated Planning Guide)
 - 2.2 A departmental workforce analysis has been performed to determine key shortages or potential surpluses in the organization (Integrated Planning Guide)
 - 2.3 Middle management up through senior management have developed cost effective options to achieve business goals (Expert Panel Report)
 - 2.4 Departments have identified gaps in current and required human resource needs to achieve business priorities (Integrated Planning Guide)
3. **Strategize and Prioritize** - collective suite of management processes are in place to set and communicate strategic direction and priorities for the organization.
 - 3.1 Plans are developed to address gaps and achieve business objectives of the organization (Integrated Planning Guide)
 - 3.2 Departments have set up strategies to achieve human resource priorities (Integrated Planning Guide)
4. **Monitor and Control** - Controls are in place to track and monitor progress against the integrated business and human resource plan.
 - 4.1 Departments have set up systems and controls to track performance indicators for integrated business and human resources planning (Integrated Planning Guide)
 - 4.2 Departments are monitoring to ensure integrated business and human resource plans are adding value to the organization (Integrated Planning Guide)
5. **Central Direction** - There is effective direction and enablement on Integrated Planning from central agencies.
 - 5.1 Treasury Board Secretariat has identified requirements expected of departments for integrated planning that are achievable and effective for the organization (Expert Panel Report)

5.2 Central Agencies have made available sufficient guidance to enable departments in preparing integrated plans (Expert Panel Report)

5.3 Treasury Board Secretariat is enabling the sharing of good practices in integrated planning across departments (Expert Panel Report)

1 Effective April 1, 2012, the *Policy on Internal Audit* defines an SDs as any department with an operating budget of less than \$300 million per year, with the exception of the offices of the agents of Parliament.

2 Originally created and issued by the Canada Public Service Agency before being assumed by the Office of the Chief Human Resources Officer within the Secretariat.

3 The Expert Panel Report defines mature planning as follows: all enablers are integrated, planning is used in decision making, processes reflect best practices, and a planning culture is embedded in the organization.

4 The definitions of adequacy and effectiveness along with the related audit criteria were based on the guidance and definition of Integrated Business and HR Planning available to departments in the Guide at the time of the audit and in the recommendations of the Expert Panel Report.

5 Reports on Plans and Priorities are annual individual expenditure plans for each department and agency (excluding Crown corporations) submitted to Parliament.

6 The Departmental Performance Report provide performance information against the Reports on Plans and Priorities,

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