Health Canada Santé Canada

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Audit of Project Management at Health Canada

July 2025 – Final Report
Prepared by the Office of Audit and Evaluation

Health Canada is the federal department responsible for helping the people of Canada maintain and improve their health. Health Canada is committed to improving the lives of all of Canada's people and to making this country's population among the healthiest in the world as measured by longevity, lifestyle and effective use of the public health care system.

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List of acronyms

ADM	Assistant Deputy Minister
DPMF	Departmental Project Management Framework
DPMO	Departmental Project Management Office
HC	Health Canada
IT	Information Technology
PCRA	Project Complexity and Risk Assessment
TBS	Treasury Board Secretariat

Executive summary

Engagement objective

The objective of this audit was to assess whether Health Canada (the Department) had developed and implemented an effective project management framework that is working as intended to promote effective and efficient project management, and to enable the realization of expected project benefits.

Engagement scope

This audit assessed the Departmental Project Management Framework (DPMF) and a selection of Health Canada (HC) projects, including those with corporate oversight and smaller projects managed by branches. The audit reviewed processes in place during the 2022-23 and 2023-24 fiscal years, but also included projects initiated in prior fiscal years.

The audit scope did not include investment planning, nor the Solutions Fund, as these areas were reviewed recently. The audit included real property and information technology (IT) project management under the DPMF but excluded the software development life cycle.

What we found

The audit found that Health Canada's DPMF is aligned with all relevant policies, guidelines, and industry best practices. Additionally, risks are formally identified and tracked at the project level across HC. There is formalized and centralized monitoring of projects that are at Tiers 2, 3, and 4. However, there is no centralized oversight for Tier 1 projects. The audit also found that risks are not tracked at a departmental level across projects. Furthermore, materiality is the main factor considered in assessing project complexity. The audit makes three recommendations to improve project management in the Department.

Introduction

Effective project management is crucial in ensuring that government initiatives are delivered on time, within budget, and to the desired quality standards. It provides a structured approach that helps in identifying risks early, ensuring resource optimization, and aligning projects with strategic goals, therefore enhancing accountability and transparency in public sector operations.

Project management within the Government of Canada is structured by the Treasury Board's *Policy on the Planning and Management of Investments* and the *Directive on the Management of Projects and Programmes*. The Policy defines the responsibilities of deputy heads as they relate to establishing project governance. The Directive describes the responsibilities of a department's Senior Designated Official for project management, which include developing a departmental project management framework and establishing expectations that projects are effectively planned, implemented, monitored, controlled, and closed to enable the realization of anticipated benefits. The Directive also outlines the responsibilities of project sponsors, and sets expectations for project leadership, governance, gating, and performance measurement. The Treasury Board Secretariat's (TBS) Guide to Project Gating defines gating as: "a systematic approach to determining whether a project is situated for success and therefore continues to warrant investment."

Within Health Canada (HC), the Chief Financial Officer is the senior designated official for project management. The Departmental Project Management Framework (DPMF) establishes the governance structure, roles and responsibilities, and processes to control and monitor projects. The DPMF applies to all HC projects and outlines the Department's project management requirements. These requirements are tailored to different project categories depending on variables including size, risk, complexity, and cost.

The DPMF is managed by the Chief Financial Officer Branch (CFOB). Within the CFOB, the Departmental Project Management Office (DPMO) is responsible for developing and disseminating the DPMF, along with the tools and templates that facilitate project deliverables. The Costing Division develops, maintains, and reviews costing tools to ensure project costs are accurately and consistently determined. The Investment and Project Policy Office supports the development of project management standards and processes by ensuring alignment of the DPMF with Treasury Board policies. Additionally, the Innovation Office manages the Solutions Fund, a departmental initiative that provides opportunities for employees to experiment with solutions to problems by identifying, developing, and implementing innovative projects with the possibility of scaling up successes. An Audit of Project Management was identified as part of the 2023-24 Risk-based Audit Plan. Previous related audits and evaluations include the Evaluation of Health Canada's Solutions Fund (2023) and the Audit of Investment Planning of Capital Assets at Health Canada (2022).

Criterion 1 – Framework

Context

Health Canada's Departmental Project Management Framework (DPMF) is the set of rules to be applied to the Department's projects for governance, roles, monitoring, controls, and project management processes. The framework includes the Department's project management requirements for benefit realization and organizational change management.

The DPMF applies to all HC projects and takes into consideration tailoring for different project categories, depending on project attributes such as size, risk, complexity, and management methodology. The DPMF categorizes projects into four tiers, according to the total estimated cost and Project Complexity and Risk Assessment (PCRA) score. The tiers are as follows:

Tier	$ Value	PCRA Score
Tier 1	Total estimated cost is less than $1 million	all PCRA scores
Tier 2	Total estimated cost is equal to or greater than $1 million and less than $5 million	all PCRA scores (scores of 1-2 require governance at the DG level, scores of 3-4 requirement governance at the ADM level)
Tier 3	Total estimated cost is equal to or greater than $5 million	PCRA scores of 1 or 2
Tier 4	Total estimated cost is equal to or greater than $5 million	PCRA scores of 3 or 4

What we expected to find

We expected to find a comprehensive project management framework that is aligned with the *Directive on the Management of Projects and Programmes* and reflects guidance from the TBS Guide for Project Management Frameworks, the TBS Guide to Project Gating, and the Project Management Body of Knowledge (PMBOK) Guide, 6th Edition.

Why it matters

A project management framework establishes processes and offers guidance to ensure projects are delivered effectively. Formal project management tools and practices provide direction to meet Treasury Board requirements and promote consistent project delivery across HC.

Key findings

Alignment with Treasury Board requirements and industry standards

We found that the Departmental Project Management Framework (DPMF) is aligned with the TBS *Directive on the Management of Projects and Programmes*, the TBS Guide for Project Management Frameworks, the TBS Guide to Project Gating, and the Project Management Body of Knowledge (PMBOK) Guide, 6th Edition.

The DPMF establishes a governance structure, with clearly defined roles for all HC employees who have responsibilities for projects and project management, thus ensuring accountability and decision making are consistent with the Directive's mandates. The DPMF integrates the structured project gating process from the TBS Guide to Project Gating with projects requiring documented approvals and evidence at critical milestones, such as business case validation and implementation readiness reports.

Additionally, the Departmental Project Management Office (DPMO) follows guidance from the TBS Guide for Project Management Frameworks by providing standardized templates for key project documents, for projects across all tiers, on their SharePoint site.

Identification of projects, interdependencies, and sequencing

We found that branch projects under $1 million are classified inconsistently across branches, which can create challenges in ensuring proper governance and oversight. Project definition guidelines and tier classifications are not uniformly applied across all branches, leading to instances where smaller projects may be mislabeled as activities or governed at a lower level than required. For example, projects can be classified as Tier 1 at initiation but go over the $1 million threshold into Tier 2 during the execution phase and not be reclassified. These issues were identified through interviews with staff and a review of sampled project documentation. Misclassification undermines effective decision making and compliance with the *Directive on the Management of Projects and Programmes* by failing to apply the appropriate level of scrutiny and resources to these initiatives.

We also found that the DPMO lacks a formal system for identifying and managing interdependencies between projects. Currently, DPMO staff manually monitor for risks like project splitting or delays, which increases the likelihood of oversight issues and inefficiency.

For information technology (IT) projects, compliance requirements like accessibility and security reviews are managed by the Digital Transformation Branch (DTB) and contribute to delays due to capacity constraints within that branch. Although the DPMO has implemented scheduling tools to limit these delays, bottlenecks persist, and the risk remains of cascading delays across interdependent projects. These challenges are further compounded when misclassified projects fail to adequately account for such risks, emphasizing the need for a more structured and consistent approach to project identification, classification, and sequencing.

Governance requirements for Tier 1 projects

We found that project managers view the current documentation and governance requirements for Tier 1 projects as administratively burdensome, particularly for projects with budgets under $250,000. The perceived burden is linked to the time and effort required to complete mandatory documentation and navigate governance approvals, which may not align with the complexity or risk of smaller projects. As a result, some managers have reportedly classified certain undertakings as operational activities, rather than formal projects, to avoid the governance process. This practice can lead to inconsistencies in project oversight, increased risks from insufficient governance, and compromises in the accuracy of project reporting and performance tracking across HC.

Conclusion and impact

Without a consistently applied and effective project management framework, the Department risks inconsistent and inefficient project delivery, leading to potential non-compliance with TBS requirements. The absence of effective processes and guidance could result in increased project delays, resource misallocation, and a lack of accountability, which could then lead to project failure.

Recommendations

Recommendation #1 (medium priority)

The ADM of the Chief Financial Officer Branch should establish a departmental process to distinguish between projects and activities, as well as develop a departmental process to identify, assess, and manage interdependencies between projects.

Criterion 2 – Risk management

Context

The TBS *Directive on the Management of Projects and Programmes* requires departments to establish effective risk management practices throughout the project life cycle. As per the Directive, departments are expected to identify, assess, and mitigate risks regularly to safeguard project objectives and ensure successful delivery. This includes ongoing monitoring and reporting of risks and ensuring that risk responses are documented and implemented effectively.

Additionally, the Departmental Project Management Framework (DPMF) clearly outlines the expectations of risk logs being created and updated at each stage of the project cycle.

What we expected to find

We expected that HC had processes in place to identify, assess, prioritize, and manage risks at both the project and portfolio levels.

Why it matters

A strong risk management process identifies, assesses, and mitigates potential risks to support successful project delivery. Formal risk management practices provide the necessary structure to address uncertainties, meet Treasury Board requirements, and enhance decision making throughout the project management process.

Key findings

Tracking risks and lessons learned

We found that HC has a structured risk management process in place to support project oversight and decision making. The Departmental Project Management Office (DPMO) requires corrective actions to be identified and implemented as part of the gating process, ensuring that risks are addressed at key milestones. For all sampled projects, we observed the presence of project-level risk registers, demonstrating that risks were consistently identified, assessed, and monitored at the individual project level.

For Tier 2 and Tier 3 projects, the DPMO produces quarterly dashboards that provide an overview of project risks, among other key metrics. These dashboards offer a consolidated view of risks at the project tiers and support senior management in tracking and addressing emerging issues.

However, we noted that there is no Department-wide risk register to consolidate and track risks across all projects. The absence of a centralized repository limits the ability to identify recurring risks, assess cumulative risk exposure, and develop coordinated risk mitigation strategies at the organizational level.

Similarly, through interviews with project managers, we found that lessons learned are primarily shared informally through conversations, and the lessons learned repository on the DPMO’s SharePoint site was not being leveraged by project staff.

Risk considerations for project tiers

We found that materiality, specifically project budgeting, is the primary factor used to classify projects within the organization. This approach was confirmed during interviews with project managers and stakeholders. While Project Complexity and Risk Assessments (PCRAs) are completed for all projects as part of the governance process, the dollar value of projects is functionally the determining factor for assigning tiers and associated oversight levels.

Additionally, we found that PCRAs are not considered when classifying projects under $1 million, as these projects are branch led.

The DPMF states that projects classified as Tier 2 with a PCRA score of three or higher require TBS approval, reflecting their increased complexity and risk. However, the audit’s sampling found that none of the projects had PCRA scores in this range. This suggests that, while PCRAs are consistently completed, their results are not affecting governance decisions in practice.

Project prioritization

We found that the DPMO has established a Department-wide IT prioritization exercise for all IT projects. This exercise ensures that IT capacity and resources are being dedicated to the highest-priority projects across all branches within HC. We found that the prioritization list is frequently updated and consulted in governance meetings.

Conclusion and impact

A lack of effective risk management processes could lead to missed project objectives, inefficient resource use, and higher costs due to unaddressed risks, ultimately compromising the success and timely completion of projects.

Recommendations

Recommendation #2 (high priority)

The ADM of the Chief Financial Officer Branch should ensure that project governance evaluates and addresses key risk factors to project success and ensure that decisions align with accepted risk tolerances, including considerations for non-financial risk metrics.

Criterion 3 – Controls

Context

The TBS *Directive on the Management of Projects and Programmes* requires departments to establish effective controls and ensure benefit realization throughout the project life cycle. As per the Directive, it is expected that there is regular monitoring and reporting of progress, risks, budgets, and schedules for all projects, and that projects deliver measurable results that are aligned with departmental priorities.

Additionally, the DPMF outlines the following requirements for project monitoring and reporting:

- For projects whose value is less than $1 million, reports are to be prepared in accordance with branch procedures, branch governance requirements as applicable and, if applicable, specific requirements for digital or real property and accommodation projects;

- For projects whose value is equal to or greater than $1 million, project performance reports are to be prepared on the last working day of every month. A copy of the project performance report or dashboard for projects is required by the DPMO every quarter. Project sponsors are to approve the project dashboard and performance reports prior to distribution to the Department-wide project management governance bodies. If applicable, project management offices within each branch may choose to consolidate the applicable individual project reports for their branch, obtain the ADM's approval, and submit the approved summary report to DPMO.

What we expected to find

We expected to find that the Department has effective controls in place to ensure compliance with the established project management framework. Additionally, we expected to find mechanisms to validate that projects are managed consistently, that key deliverables align with planned objectives, and that expected outcomes and benefits are achieved.

Why it matters

Well-designed and functional controls are essential for ensuring the integrity and success of the project management process. These controls help mitigate risks, ensure compliance with established policies, and promote effective project execution. Additionally, they support the realization of project benefits by providing clear guidelines for monitoring, reporting, and making informed decisions throughout the project life cycle.

Key findings

We found that project dashboards represent a central control mechanism used to ensure compliance with the DPMF. These quarterly dashboards provide a comprehensive overview of project progress, risks, and performance metrics. Data for the dashboards is submitted by project teams and validated by DPMO staff to ensure accuracy and consistency.

In addition to dashboards, DPMO staff review all project documents at each gate throughout the project life cycle, as an additional layer of oversight. This gate review process serves to confirm that projects meet governance requirements and adhere to established standards before advancing to the next phase.

However, we found that financial tracking for the dashboards is burdensome and relies on manual processes. Additionally, interviewees expressed concern that discrepancies in financial tracking and reporting have arisen due to input errors in these manual processes. These inconsistencies create confusion among stakeholders and make accurate financial oversight challenging.

Oversight of Tier 1 projects

We found that there was no centralized mechanism for tracking or managing Tier 1 projects within the Department. These projects are managed and governed at the branch level, leading to a risk of inconsistent adherence to the DPMF, as branches may interpret or apply its requirements differently.

Additionally, the absence of a centralized repository or comprehensive list of active Tier 1 projects creates gaps in visibility and oversight. This not only limits HC's ability to monitor project statuses, resource allocation, and cumulative risk across branches, but also increases the risk of projects exceeding the $1 million threshold without the DPMO being informed. Such occurrences could trigger additional governance requirements and lead to non-compliance with Treasury Board policies if not identified and addressed promptly.

As of Fall 2024, the DPMO has piloted a quarterly dashboard process for Tier 1 projects, but this pilot did not fall within the scope of this audit.

Benefits realization

We found that the benefits realization process can be applied inconsistently across projects and can be treated as a procedural formality. Interviews with project stakeholders revealed that the process is frequently approached as a "check-box" exercise, prioritizing compliance over substantive evaluation. This can result in projects achieving their immediate objectives but failing to advance broader government priorities or align with strategic goals. These findings highlight the need for stronger controls, clearer guidance, and new accountability mechanisms to ensure that the benefits realization process is meaningfully integrated into the project life cycle and effectively supports the delivery of value for HC.

Conclusion and impact

Without effective controls in place, the Department would face challenges in ensuring compliance with the project management framework, which could result in inconsistent practices and a failure to achieve expected project outcomes and benefits.

Recommendations

Recommendation #3 (medium priority)

The ADM of the Chief Financial Officer Branch should ensure that there is appropriate departmental oversight of Tier 1 projects to ensure that they are compliant with the HC project management framework, and to ensure that expected outcomes and benefits are monitored.

Conclusion

The audit found that Health Canada’s Departmental Project Management Framework (DPMF) is aligned with all relevant policies, guidelines, and industry best practices. Additionally, risks are formally identified and tracked at the project level across the HC. There is formalized and centralized monitoring of Tier 2 projects and above. However, there is no centralized oversight for Tier 1 projects. The audit also found that risks are not tracked at a departmental level across projects, and materiality is the main factor considered in assessing project complexity.

Management Response and Action Plan

Recommendation #1

The ADM of the Chief Financial Officer Branch should establish a departmental process to distinguish between projects and activities, as well as develop a departmental process to identify, assess, and manage interdependencies between projects.

Management Response and Planned Management Action

Management agrees with this recommendation.

1. Assess and update the current processes used by DTB and CFOB to distinguish between IT projects and activities, ensuring that projects are properly identified and integrated into HC's project life cycle.

2. IPMD to review each branch's IT plans to ensure accurate classification of projects vs. activities

3. IPMD to adjust the investment planning exercise to accept Gate 0 proposals on a quarterly basis rather than at any time during the year, to facilitate the identification of interdependencies between projects for discussion at EC-FIPT.

Deliverables

1. Update DPMF to clarify definition of a project vs. activity and develop supporting guidance documentation.

    a. Expected completion date: April 1, 2025

    b. OPI: CFOB, Policy Team

2. IPMD to meet with each branch and DTB to review their IT Plans on an annual basis to ensure accurate classification of projects vs. activities is identified at the onset of the planning process

    a. Expected completion date: April 1, 2025

    b. OPI: CFOB, DPMO and IP Team

3. Implement the quarterly intake process and create an internal process for IPMD to assess potential project interdependencies.

   a. Expected completion date: March 31, 2026

   b. OPI: CFOB, IP Team

Recommendation #2

The ADM of the Chief Financial Officer Branch should ensure that project governance evaluates and addresses key risk factors to project success and ensure that decisions align with accepted risk tolerances, including considerations for non-financial risk metrics

Management Response and Planned Management Action

Management agrees with this recommendation.

1. Create a centralized risk repository for all project risks.
2. Maintain a list of key project risk factors, reviewed and updated (as appropriate) on an annual basis

Deliverables

1. Update quarterly dashboard reporting to provide a consolidated view of risks
   a. Expected completion date: March 31, 2026
   b. OPI: CFOB
2. Provide strategic updates on project risks to EC
   a. Expected completion date: March 31, 2026
   b. OPI: CFOB

Recommendation #3

The ADM of the Chief Financial Officer Branch should ensure that there is appropriate departmental oversight of Tier 1 projects to ensure that they are compliant with the HC project management framework, and to ensure that expected outcomes and benefits are monitored.

Management Response and Planned Management Action

Management agrees with this recommendation.

1. Projects U1M are centrally governed through PRC and are required to track project costs through Internal Order (IO) codes

2. Update/create training and guidance for benefits realization

Deliverables

1. Updated Departmental Project Management Framework (DPMF to reflect change to U1M project governance.

    a. Expected completion date: April 1, 2025

    b. OPI: CFOB, Policy Team

2. Updated PRC Terms of Reference that capture new responsibilities

    a. Expected completion date: June 30, 2025

    b. OPI: CFOB, DPMO and Policy Team

3. Guidance Document for Benefits Realization and monitoring.

    a. Expected completion date: March 31, 2026

    b. OPI: CFOB, Policy Team

4. Create a new category of projects <$250K in the DPMF with streamlined administrative requirements and branch-level governance.

    a. Expected completion date: April 1, 2025

    b. OPI: CFOB, Policy Team

Appendix A

Audit objective

The objective of this audit was to assess whether Health Canada had developed and implemented an effective project management framework that is working as intended to promote effective and efficient project management and to enable the realization of expected project benefits.

Audit scope

This audit assessed the Departmental Project Management Framework (DPMF) and a selection of Health Canada projects, including those with corporate oversight and smaller projects managed by branches. The audit reviewed processes in place during the 2022-23 and 2023-24 fiscal years, but also included projects initiated in prior fiscal years.

The audit scope did not include investment planning or the Solutions Fund, as these areas were reviewed recently. The audit included real property and IT project management under the DPMF, but it excluded the software development life cycle.

Audit approach

The audit was conducted in accordance with the Government of Canada's *Policy on Internal Audit*, which requires examining sufficient and relevant evidence, and obtaining sufficient information and explanations to provide a reasonable level of assurance in support of the audit conclusion.

The audit included, but was not limited to:

- Interviews with staff who have responsibilities related to project management.
- Reviews of relevant documentation, policies, standards, guidelines, and frameworks for project management at HC.
- Analysis of select project files.

Statement of conformance

This audit was conducted in conformance with the 2017 *International Standards for the Professional Practice of Internal Auditing* and is supported by the results of the Office of Audit and Evaluation’s Quality Assurance and Improvement Program.

Audit criteria

1. The Department has a project management framework in place that aligns with policy requirements and provides effective guidance to project managers and stakeholders.

2. The Department has a process in place to identify and manage portfolio-level and project-level risks.

3. The Department has effective controls in place to ensure compliance with the project management framework and to support the achievement of expected project outcomes and benefits.

Appendix B – Recommendation ratings

Recommendations are ranked to assist management in prioritizing their response to audit findings. These ratings are intended to assist with resource allocation in order to address identified weaknesses and help improve internal controls and operating efficiency. Please note that ratings are for guidance purposes only. Management must evaluate ratings provided by OAE based on their own experience and risk tolerance.

Recommendations are ranked according to the following definitions:

- **High priority**: Item should be given immediate attention due to the existence of either a significant control weakness, such as a control not existing, not being adequately designed, or not operating effectively, or there is a significant operational improvement opportunity.

- **Medium priority**: This is a control weakness or operational improvement that should be addressed in the near term.

- **Low priority**: This is a non-critical recommendation that could be addressed to either strengthen internal controls or enhance efficiency, normally with minimal cost and effort.

Individual ratings should not be considered in isolation, and their effect on other objectives should also be considered.