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Final Report

Audit of the Accelerated Infrastructure Program 2 – Governance Phase 1 and 2

October 11, 2016

Office of Audit and Evaluation



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Executive summary

- i. In November 2014, as part of the 2015 Federal Budget, the Government of Canada announced \$5.8 billion in new investments to build and renew infrastructure across Canada. This initiative is considered a continuation of Canada's Economic Action Plan (EAP).
- ii. Public Services and Procurement Canada's (PSPC) contribution to this initiative was three-fold: 1) PSPC received \$173.7 million to implement capital and repair projects related to federal buildings and engineering assets across Canada for which it is custodian. 2) PSPC provided real property project management on a fee for service basis to 13 other government departments in relation to their EAP-funded infrastructure projects. 3) PSPC provided acquisitions services to other government departments delivering their own infrastructure projects where contracts exceeded their delegated authority. The above activities are being coordinated under PSPC's new Accelerated Infrastructure Program 2 (AIP2, "the Program"), which is being managed by PSPC's Real Property Branch (RPB).
- iii. The Audit was conducted to determine whether the AIP2 Program Management Framework included appropriate governance, risk management and resource allocation processes to effectively manage the risks related to the Program. It assessed AIP2 activities and outputs undertaken from April 1, 2015 to May 31, 2016.
- iv. Overall, the Audit did not identify any specific weaknesses or deficiencies that could compromise the Program's delivery. AIP2 was generally delivered using existing departmental processes, supplemented by the AIP2 Program Management Framework that was developed to document the oversight structure and key processes that would be used to manage the Program.
- v. An AIP2 Governance Framework was developed by the AIP National Office and communicated to the regions in May 2015. The governance structure included departmental and interdepartmental committees, however, the structure described in the framework was never fully implemented. The AIP National Office indicated that to reflect the changing needs of the Program, the governance structure was being redesigned to foster strong partnerships and accountability to external shareholders. As of June 2016, the governance structure was being modified, and the latest structure had yet to be approved and communicated. Thus, we could not conclude whether the established governance structure was effective to ensure the successful implementation of the Program.
- vi. Departmental branches and regions retained oversight of compliance and quality management within their existing governance structures. Various existing departmental processes were available to monitor projects and contracting activities for compliance (e.g. National Project Management System compliance review performed by RPB). As these monitoring activities cover all projects, not just AIP2 projects, it was not possible to determine the extent of coverage of AIP2 projects. In addition, the Office of Audit and Evaluation is conducting a Continuous Audit of AIP2 project management and contracting activities and it has been determined that overall these activities were

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compliant with relevant authorities. These findings are communicated in a separate report.

- vii. Performance in relation to AIP2 was monitored consistently and reported on an ongoing basis. A reporting framework was developed and communicated and was consistently applied to support monitoring and reporting of information on key AIP2 activities to relevant AIP2 stakeholders. This included information on project management, contract award and administration and risk management information. Processes were also established to review and validate AIP2 information. Nonetheless, the lack of interoperability between departmental information systems and AIP2 reporting needs created challenges in managing reporting expectations. There remains a risk that information reported may not reflect the level of accuracy and completeness suitable for AIP2 stakeholders' needs.
- viii. A national risk management framework was developed to define the AIP2 risk management process. Risks were identified, assessed, mitigated and monitored on an ongoing basis through risk assessments conducted at the national and regional levels, as well as at national and regional meetings. These risks were also reported to relevant AIP2 stakeholders through the weekly pulse report and monthly status reports.
- ix. Effective processes were implemented for the planning, prioritization and timely allocation of resources for the effective delivery of the AIP2 Program. Human resource capacity requirements were assessed, and overall sufficient human resources were available to implement AIP2 projects. However, in fiscal year 2015-16, due to the fact that a new contractor was transitioned to assume project management responsibilities, there were capacity issues with regards to the program of work that was to be delivered under the RP-1 contracts. Actions were taken to ensure that sufficient capacity is available for 2016-17.
- x. Existing departmental processes were used to allocate resources, hence roles and responsibilities were defined and understood. Initial allocation of funding to the regions was done by the Program Management Sector, and established allocation guidelines and eligibility criteria were consistent with AIP2 objectives. In 2015-16, regions received only AIP2, not A-Base funding, which in turn had to be spent in the fiscal year allocated. Overall, resource allocation processes were consistently applied, and resources were allocated and spent on a timely basis with over 95% of the 2015-16 funding spent in fiscal year 2015-16.

Management response

Management has had the opportunity to review the report, and agrees with the conclusions and recommendation found therein. The Associate Assistant Deputy Minister is closely monitoring the progress of the AIP and the implementation of the newly revised governance structure. One notable pillar to the AIP Governance Structure is that the Associate Assistant Deputy Minister is either a member or the chair of both internal and external steering committees. Management also developed a Management Action Plan to address the audit recommendation.

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Recommendations and management action plan

Recommendation 1: The Assistant Deputy Minister, Real Property Branch should ensure that the AIP governance structure is finalized and implemented and is functioning as intended to manage and provide oversight over the AIP2 Program.

Management action plan 1.1: The revised Accelerated Infrastructure Program (AIP) Governance Structure will be finalized and formally approved by the Assistant Deputy Minister Real Property.

Management action plan 1.2: The Assistant Deputy Minister Real Property will ensure that this new Accelerated Infrastructure Program (AIP) Governance Structure is implemented and functioning as intended.

- Actions that will enhance the committee structure include the leveraging of existing departmental committees (i.e. the Investment Management Board, the Executive Committee, the National Capital Executive Board and the Engineering Asset Strategy Sector Director General Committee) to provide oversight over the Public Service and Procurement Canada's AIP program of work. The Committees' review of the AIP program will be documented in their Records of Decision.

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Introduction

1. This engagement was included in the Public Services and Procurement Canada (PSPC) 2015-2018 Risk-Based Audit and Evaluation Plan.
2. In November 2014, as part of the 2015 Federal Budget, the Government of Canada announced \$5.8 billion in new investments to build and renew infrastructure across Canada. The majority of this investment is to be spent within a two-year timeframe starting April 1st 2015. Some other federal departments' programs of work extend beyond the AIP2's two-year timeframe (e.g. Parks Canada – five years, Transport Canada – three years). This initiative was considered a continuation of Canada's Economic Action Plan (EAP), which ran between 2009 and 2011. The majority of this new EAP investment (\$5.3 billion) was earmarked to modernize and repair federal infrastructure assets. This includes:
 - \$2.8 billion to support infrastructure improvements to heritage, tourism, waterway and highway assets located within national historic sites, national parks and national marine conservation areas across Canada
 - \$452 million to repair and upgrade Canadian Armed Forces facilities
 - \$440 million to expedite the replacement of border infrastructure
 - \$380 million for major repairs and upgrading of federal laboratories and research facilities
 - \$288 million for repair and maintenance of small craft harbours
 - \$204 million to support enhancements to federally owned and operated airports as well as improvements to VIA Rail Canada Incorporated rail infrastructure
 - \$191 million to undertake renewal and repairs of heritage and museum sites;
 - \$183 million for the repair and procurement of vessels and small craft for the Canadian Coast Guard and Fisheries and Oceans Canada to support activities including search and rescue, science and conservation and
 - Approximately \$400 million to maintain, upgrade and construct federally owned buildings and other assets across Canada
3. Of this \$5.3 billion, over \$5.1 billion was received by other federal departments and agencies to implement infrastructure projects related to assets for which they are custodian. As the Government of Canada's central provider of professional and technical real property services and the Government of Canada's central purchaser, PSPC is playing a key role in helping other government departments to deliver their EAP commitments. Specifically, the Department is providing project management and acquisitions services on a fee for service basis to 13 other government departments which have requested such services in relation to their EAP-funded infrastructure projects (see Appendix A for a list of these departments).
4. The combined total estimated cost of other government department infrastructure projects managed by PSPC exceeds \$1.5 billion. Further, of the approximate \$400 million being invested in federally owned buildings and other assets, PSPC received \$173.7 million to implement capital and repair projects related to federal buildings and engineering assets across Canada, for which it is the custodian.

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5. Under the Department's new Accelerated Infrastructure Program 2 (AIP2; "the Program"), activities such as the provision of project management services to other government departments, the provision of acquisitions services to other government departments, and the delivery of PSPC's own \$173.7 million program of work are being coordinated and managed. During the 2009 to 2011 EAP, only PSPC's own program of work was internally referred to as the Accelerated Infrastructure Program (AIP).
6. AIP2 is being managed by the Real Property Branch (RPB). A dedicated resource team, the AIP National Office (formerly AIP2 National Office), has been established to lead the Program for the Department. Reporting directly to the Assistant Deputy Minister, RPB, the AIP National Office is the main coordinating and reporting body for the Program at the national level, as well as the office of primary contact for all activities relating to AIP2. RPB has developed an "AIP2 Program Management Framework" (the "Framework") to document the oversight structure and key processes that would be used to manage the program.

Focus of the audit

7. The objective of this audit was to determine whether the AIP2 Program Management Framework included appropriate governance, risk management and resource allocation processes to effectively manage the risks related to the Program.
8. The Government of Canada's objectives for AIP2 is to build and renew infrastructure across Canada, provide employment opportunities in communities across Canada and support services to Canadians, that in turn will contribute to Canada's long-term economic prosperity. The Audit assessed whether the AIP2 Program Management Framework supports the achievement of AIP2 objectives and focused on RPB for its leadership role in providing direction and oversight for the delivery of AIP2. The Audit assessed activities and outputs undertaken from April 1, 2015 to May 31, 2016. This included a review of documentation relating to governance, risk management and resource allocation activities performed by RPB and the regions. We also interviewed key stakeholders, including employees in RPB, Acquisitions Branch, and the regions, that have responsibility for implementing the Program. Furthermore, we reviewed documentation related to the 2009 to 2011 Accelerated Infrastructure Program to obtain background and supplementary information about the Program.
9. More information on the audit objective, scope, approach and criteria can be found in the section "About the Audit" at the end of the report.

Statement of conformance

10. The Audit conforms with the Internal Auditing Standards for the Government of Canada, as supported by the results of the quality assurance and improvement program.

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11. Sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the findings and conclusions in this report and to provide an audit level of assurance. The findings and conclusions are based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria that were agreed on with management. The findings and conclusion are only applicable to the entity examined and for the scope and time period covered by the audit.

Observations

Governance

Oversight structure

12. Governance is the combination of processes and structures implemented by management to inform, direct, manage and monitor the activities of an organization to promote the achievement of effective strategic direction and the delivery of results. An effective governance structure helps to ensure there is adequate oversight throughout the implementation of key AIP2 activities. Oversight would include management providing strategic direction by ensuring appropriate decisions are made concerning the Program.

13. We expected that the AIP2 oversight structure would be formally documented, approved and communicated. We also expected to find that oversight bodies provided strategic direction and oversight throughout the implementation of the Program, and these bodies would have documented mandates or terms of reference, as well as clearly defined and communicated roles and responsibilities. Further, we expected that committee members would attend meetings regularly.

A governance structure was in place to manage and provide oversight for AIP2 but it could be strengthened.

14. PSPC has a governance structure in place for its infrastructure projects which is made up of various committees starting at the regional level, moving to Branch level and concluding at the Investment Management Board. Depending on the value of a project, a different committee structure may apply and only projects with a cost greater than \$1 million are reviewed by the Investment Management Board. Processes and procedures are also established for infrastructure and acquisition activities performed on behalf of other federal departments.

15. Given that AIP2 is confined within an established timeframe, a governance framework was established as an overarching piece for managing the AIP2 program. The AIP2 Governance Framework was discussed and accepted at the Deputy Minister Oversight Committee and communicated to key AIP2 stakeholders in May 2015. As documented in the Framework, the oversight structure for AIP2 consisted of the Assistant Deputy Minister, RPB, the AIP National Office, Regional Directors

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General, Regional Implementation Teams as well as committees. The overall mandate of these bodies was documented in the Governance Framework.

16. The Framework indicated that the Assistant Deputy Minister, RPB, has overall accountability for the successful implementation of AIP2 for PSPC. Reporting to the Assistant Deputy Minister, RPB, the AIP National Office was established to coordinate the program as a whole, monitoring and reporting on progress, and supporting the various committees. The AIP National Office was a key component of the governance structure.
17. Regional Directors General have overall accountability for the delivery of AIP2 within their respective regions. At the direction of the AIP National Office, each region has established a Regional Implementation Team to support its AIP2-related activities. Regional Implementation Teams reported directly to their respective Regional Directors General via a Regional Implementation Team Champion.
18. The initial AIP2 governance structure included departmental and interdepartmental committees. Formal Terms of Reference documents did not exist for these committees. The governance framework described their overall mandates, membership and meeting frequency. The AIP National Office indicated that this structure, which was inspired from AIP1, did not meet the needs of AIP2. This structure was not fully implemented as meetings were not taking place for some of the committees.
19. Unlike AIP1 and because of the Department's experience delivering AIP1, the main focus of AIP2 was on project delivery for other government departments which received over 96% of the AIP2 funding. The AIP National Office indicated that to reflect the needs of the Program, the committee structure should be designed to foster strong partnerships and accountability to external stakeholders.

The governance structure continues to evolve to meet the Program needs.

20. In August 2015, the AIP2 committee structure was modified. Departmental committees at the Director General and Assistant Deputy Minister levels were eliminated. However a number of interdepartmental committees were launched. The governance framework was not updated and communicated, and as such, the modified structure was not formally documented. The table below illustrates the changes:

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May 2015	August 2015
Departmental	
AIP2 Steering Committee	AIP National Office - Regional Implementation Teams
ADM Steering Committee	Eliminated
DM Steering Committee	Eliminated
Interdepartmental	
Integrated Project Level Committee	Eliminated
Integrated Program Level Committee	DG Steering Committee
Integrated ADM Steering Committee	ADM Steering Committee
Integrated DM level Committee	DM oversight Committee

21. Instead of departmental committee direction, we found that strategic direction and oversight for the Program were provided by the AIP National Office and Regional Implementation Teams, and key decisions were approved by the Assistant Deputy Minister, RPB, or the Deputy Minister, PSPC, as required.

22. Our review of the interdepartmental governance committees' documentation indicated that overall established committees exercised their mandates. Meetings took place at the defined frequency, and agendas and records of decisions were prepared. A review of records of decisions determined that attendance reflected the committees' membership. The committees functioned primarily as a forum for information sharing and discussion on key issues related to the program of work of other government departments. As the focus was on client departments' programs of work, and did not include PSPC, it was not evident how information related to PSPC's program of work was reported to PSPC's senior management committees. As a result, senior management committees would not be made aware of the status of implementation.

23. In April 2016, we were advised that the AIP2 committee governance structure was once again undergoing changes to address concerns raised by AIP2 stakeholders related to a gap in internal oversight and duplication of efforts in the functioning of the committees. The AIP National Office was in the process of consulting with senior management to ensure that the suggested changes will respond to the Program's needs. Once the new structure is confirmed, the governance framework will be updated and communicated. As of June 2016, the latest AIP2 governance structure was not formally documented, approved and communicated.

24. Based on our examination, we concluded that the AIP2 has an established governance structure for interdepartmental oversight but it could be strengthened to meet the Program's requirements for departmental oversight. Although we did not identify any gap in the governance structure that could compromise program delivery, we could not conclude on its effectiveness as the governance structure has been evolving to meet AIP2 stakeholder needs.

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Monitoring and reporting

25. Monitoring and reporting deliverables provide direction, as well as tangible evidence that a goal is on track to be reached, and that there is a conclusion to a task. It is important that programs and activities are monitored on a regular basis, and that accurate and timely reports provide governing bodies with information on program performance for decision making, including relevant information on risk management.
26. We expected that performance monitoring and reporting processes would be developed and applied consistently to support AIP2 activities. We also expected that these processes would support reporting of financial and non-financial information, including information on project management, contract award and administration, risk management and compliance. Further, we expected that established processes would ensure timely, accurate and complete performance information is provided to senior management to facilitate the timely identification and correction of impediments to the implementation of AIP2.

Monitoring and reporting processes were developed and applied consistently to support AIP2.

27. We found that overall effective processes were established to monitor and report on the performance of key AIP2 activities. The AIP National Office developed a reporting framework outlining AIP2 reporting expectations, including monitoring and reporting roles and responsibilities of key departmental AIP2 stakeholders. Interviews with key stakeholders conducted by the audit team indicated that these processes were generally understood and consistently applied.
28. The AIP2 National Office was responsible for coordinating and overseeing reporting activities. AIP2 information was compiled by Regional Implementation Teams and submitted to the AIP National Office according to requirements. Key reports used by the AIP National Office to report on the Program were the Weekly Pulse Report, the monthly Program of Work Report and/or the Regional/National Client Status Reports.
29. Reporting covered financial and non-financial information, including information on project management, contract award and administration, and risk management. The Weekly Pulse Report highlighted high-level risk items and was sent weekly to the office of the Assistant Deputy Minister, RPB. The other reports contained information related to the Program of work of other government departments, such as planned and actual number of projects and their status, contracting activities, funding information and risks/issues. These reports were communicated to client departments and the Assistant Deputy Minister, RPB. Information was communicated to the Deputy Minister, PSPC and members of interdepartmental committees prior to interdepartmental governance meetings. We were advised that regular external reporting to central agencies was not required.

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30. A number of AIP2 projects were delivered under the new RP-1 contracts. Formerly referred to as Alternative Forms of Delivery contracts, RP-1 consists of six regional, performance-based contracts with the private sector to respond to the current and emerging real property needs of the Department and client departments. These contracts provide a comprehensive range of real property services for federally owned and federally leased assets across Canada. Established reporting requirements related to the RP-1 contracts were generally followed, and all regions indicated the RP-1 service provider regularly provided information for monitoring and reporting purposes. It was noted, the RP-1 service provider did not always inform PSPC in a timely manner of its inability to deliver the complete program of work for some of the regions. As a result two of the regions (the National Capital Area and Quebec) lapsed some of the funding received.
31. Oversight of compliance and quality management were retained within existing governance structures in departmental branches and regions. Various existing departmental processes were available to monitor projects and contracting activities for compliance in RPB and the Acquisitions Branch (e.g. National Project Management System compliance review performed by RPB, and quality review performed by the Acquisitions Branch). Although AIP2 projects were included in the population of projects subject to review, it was not possible to confirm the extent to which AIP2 activities were reviewed as part of these processes, since no compliance monitoring activities were performed specifically for AIP2. In addition, the Office of Audit and Evaluation is conducting a continuous audit of AIP2 projects that assesses compliance of AIP2 project management and contracting activities against relevant authorities (such as PSPC's National Project Management System requirements and contract award and administration requirements). As part of this audit, quarterly reviews are being conducted over a two-year period. The results of examination for quarters 1 and 2 determined that overall AIP2 projects and contracts were compliant with relevant authorities.

Opportunities exist to improve departmental information systems.

32. Existing departmental information systems (such as SIGMA, which captures project information and the Acquisitions Information System, which captures contracting information) did not meet AIP2 reporting needs. As a result, at the time of the audit, comprehensive reports could not be generated without manual manipulation and compilation of data from multiple sources.
33. Manual processes were established to review and validate AIP2 information. However, we observed instances where concerns were raised that the information reported may not reflect the level of accuracy and completeness suitable to AIP2 stakeholders' needs. The AIP National Office indicated that increasing efforts are being made to improve the quality of AIP2 information. Nonetheless, the possibility of error exists and the significant time investment creates challenges. Subsequent to the Audit's examination phase, we were informed by RPB senior management that NOVUS and SIGMA were being leveraged to alleviate this issue.

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34. We also noted an issue in the naming convention established in SIGMA to distinguish AIP2 funded projects from non-AIP2 projects. There is a concern that once projects are no longer flagged as AIP2, it may not be possible to generate reports on projects and/or cost associated with this program without using other sources of information.
35. Based on our examination, we concluded that processes existed to support the monitoring and reporting of key AIP2 activities. A reporting framework was developed, communicated and consistently applied. This helped ensure that information on key AIP2 activities was regularly reported to relevant AIP2 stakeholders, such as information on project management, contract award and administration, risk management, and on projects implemented under the RP-1 contracts. Regular updates assist in effectively managing the Program as it enables transparency of activities, which can help to gauge where there are any problems in the pipeline, and to plan accordingly.

Risk management

36. Risk management involves a dynamic and iterative process for the identification, assessment, mitigation, monitoring and reporting of risks, and the documentation of these activities. An effective risk management process reduces the probability of unexpected events adversely affecting the successful achievement of the Program's objectives.
37. We expected that there would be a national risk management framework in place that defines the risk management process to support the achievement of program objectives.
38. We expected that at the national and regional level, risks would be identified, assessed, mitigated (as necessary), monitored and reported on an ongoing basis. Further, we expected that senior management would be consistently informed of risks throughout the implementation of the Program, allowing for effective decision making.

Effective processes were established to manage AIP2 related risks.

39. At the beginning of the Program, the AIP National Office developed the AIP2 Risk Management Framework, which identified the roles and responsibilities for risk management for relevant AIP2 stakeholders. An AIP2 Risk Profile was also developed to identify key risks to the Program.
40. A Risk Management Committee was established as a forum to collect and communicate AIP2 risk information across the Department. The committee's mandate, membership, meeting frequency and roles and responsibilities were documented in the Risk Management Framework. Meetings took place on a quarterly basis, and agendas and records of decision were prepared.

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41. At the direction of the AIP National Office, each region developed an AIP2 risk register to identify regional risks as they relate to the risk included in the AIP2 Risk Profile. The information was consolidated into a National Risk Register, which was maintained by the AIP National Office. A Risk Mitigation Status Update was also required from the regions in cases where there were medium-high risk items (i.e. risk rated "orange" or "red") associated to their programs of work.
42. Risk mitigation strategies existed for identified risks. All regions provided a risk mitigation document, which identified planned mitigation strategies and stakeholders responsible for managing the risk, and the status of implementation of the identified strategy.
43. Monitoring and reporting of risks took place through the AIP2 monthly meetings with Regional Implementation Teams and through quarterly Risk Management Committee meetings.
44. High-level risks items were reported to the Assistant Deputy Minister, RPB, on a weekly basis through the Weekly Pulse report. Information on risks related to other government department programs of work (in terms of schedule, scope and budget) was reported to these departments on a regular basis and provided to the Deputy Minister's Office and other members of AIP2 Steering Committee prior to scheduled meetings. Key issues and concerns were discussed during these meetings.
45. At the project level, Project Risk Management Plans were prepared. Project risks were monitored and reported upon at regional meetings with key regional AIP2 stakeholders.
46. Based on our examination, we concluded that effective processes existed to manage AIP2 related risks. A national risk management framework was developed to define the AIP2 risk management process. Risks were identified, assessed, mitigated and monitored on an ongoing basis through risk assessments conducted at the national and regional levels. Risks were discussed at national and regional meetings, and were reported to relevant AIP2 stakeholders through the Weekly Pulse Report and monthly status reports. As a result, there was an increase awareness of risks throughout the implementation of the Program which would give stakeholders the opportunity to perform a challenge function on risks which could significantly affect the Program.

Resource allocation

47. Resource allocation is a process and strategy involving decisions on how and where human and financial resources should be used in the implementation of a program. The establishment of effective resource allocation processes is vital for the successful delivery and achievement of the program objectives. Effective processes will ensure timely allocation of AIP2 funding, selection of projects that meet established eligibility criteria and delivery of the Program in a timely manner.

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Human resources allocation processes

48. We expected that human resource capacity requirements would be assessed and a human resource strategy developed and implemented to ensure the effective delivery of AIP2 projects and ongoing operations.

Sufficient human resource capacity existed for the delivery of AIP2 projects.

49. A national human resource strategy was not developed and implemented specifically for AIP2. The Department leveraged existing resources to manage and deliver its AIP2 Program. For the programs of work implemented on behalf of other government departments, additional capacity associated with managing these programs were funded from additional revenues earned as part of project and contract delivery. Regions were responsible for ensuring adequate human resource capacity was available to implement their AIP2 programs of work. Each region implemented various strategies to ensure capacity was available to implement their AIP2 activities.

50. With regards to the AIP2 program of work that was to be delivered under the RP-1 contracts previously mentioned, the RP-1 service provider was responsible for ensuring that adequate capacity was available to deliver the work identified and communicated by the Department. There were capacity issues with the RP-1 service provider during the first year of the AIP2 program of work. The commencement of the AIP2 program coincided with the transition to the new RP-1 service provider. As a result, issues stemming from the transition and the development of RP-1 contracts arose, which affected the service provider's ability to fully deliver on the AIP2 program of work in 2015-16. Despite these difficulties, the service provider was able to successfully deliver on its full program of work for the Pacific, Atlantic, and Ontario regions in 2015-16. However, they were unable to deliver all projects for the Quebec, Western and the National Capital Area regions. Actions have been taken by the RP-N Directorate to ensure that sufficient capacity is available for 2016-17.

AIP2 resource allocation processes

51. We expected to find that all key resource allocation processes have been clearly defined, and that roles and responsibilities, processes, and priority systems to allocate AIP2 resources were based on established guidelines and eligibility criteria. In addition, we expected that allocation processes were consistently applied, and that AIP2 funds were allocated in a manner that would not result in year-end lapses.

Effective processes were used for the planning, prioritization and timely allocation of resources.

52. PSPC received \$173.7M over two years to implement infrastructure projects related to federal buildings and engineering assets across Canada. PSPC's infrastructure funding was received from two separate votes: Vote 1, Operating Expenditures, Special Purpose Allotment and Vote 5, Capital Expenditures.

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53. PSPC used its existing processes to allocate its AIP2 funding. Roles and responsibilities related to allocation of AIP2 resources were defined and documented. They were communicated in various documents, such as the Initial Budget Allocation Information Guide produced by the Program Management Sector, Building Management Plans, National Building Management Call Letters, and generic job descriptions.

The breakdown of the funding received by PSPC to implement AIP2 projects was as follows:

Category	2015-2016	2016-2017	Total
Vote 5 - Capital funding	\$29.8 M	\$53.5 M	\$83.3 M
Vote 1 – Repair Funding	\$40.4 M	\$50.0 M	\$90.4 M
TOTAL	\$70.2 M	\$103.5 M	\$173.7 M

Capital funding

54. PSPC received \$83.3 M of capital funding for the implementation of major and minor repairs to engineering assets including the Esquimalt Graving Dock in Esquimalt, British Columbia; the Alaska Highway in British Columbia; and the Alexandra Bridge in Ottawa, Ontario. No additional processes were necessary to allocate AIP2 capital funding, as these projects and their assigned funding amounts were specifically identified in the AIP2 Treasury Board submission.

Repair funding

55. PSPC received a total of \$90.4 M of repair funding to carry out various repair to federal buildings across Canada and the Esquimalt Graving Dock in British Columbia. Per the AIP2 Treasury Board submission, repair funding was to be allocated to the highest priority repair projects after those funded by the A-base budget. The eligibility criteria for project selection for AIP2 were established and communicated at the beginning of the Program through the Initial Budget Allocation Information Guide 2015.

56. The main tool used to allocate AIP2 repair funding to repair projects was the Building Management Plans. The annual National Building Management Plan Call Letter identifies objectives, priorities, and guidelines for the development of Building Management Plans. A Building Management Plan is a comprehensive, five-year asset management plan for a building which lists all potential repair projects for current and future years. The priority codes assigned to each project in a Building Management Plan is used to facilitate funding allocation decisions within the regions.

57. The existing Banking Day process was used to reallocate AIP2 repair funding between RPB sectors, regions and other branches. The Banking Day process takes place three times a year to reallocate repair funding, return surplus or request additional funding. This allows the Program Management Sector within RPB to distribute excess repair funding so that all available funding could be spent during the fiscal year received.

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58. The initial allocation of repair funding to the regions was done by the Program Management Sector. The repair funding was distributed proportionally with respect to regional inventory by square meters, per previous fiscal year forecasts. This budget allocation was approved by the Associate Deputy Minister, RPB. The distribution of the repair funding at the Director and/or project level is the responsibility of Regional Directors General and Directors General.
59. Overall, resource allocation processes and eligibility criteria were consistently applied. Projects were generally selected by their order of priority in the Building Management Plan. Few instances were observed where lower priority projects were selected because higher priority projects could not be completed within the AIP2 two-year timeframe.
60. In 2015-16, regions received only AIP2, not A-Base funding, which in turn had to be spent in the fiscal year allocated. In addition, the amount required to fund high priority repair projects across all regions was greater than the available AIP2 repair funding. Therefore, lapsing AIP2 repair funding was not considered a high risk. Regions were responsible for monitoring their repair funding and for ensuring it could be spent during the fiscal year it was received.
61. Overall, the Department allocated and spent its AIP2 capital and repair funding on a timely basis. Based on the On-Time, On-Budget, On-Scope reports received from the AIP National Office and the regions, most projects were progressing on time and were expected to be completed within the AIP2 timeframe. We were also advised that over 95% of 2015-16 capital and repair funding was spent during that fiscal year, but we were not able to obtain a year-end report to confirm the actual amount. The remaining 5% will not lapse as it will be added to 2016-17 funding.
62. Based on our examination, we concluded that sufficient human resources capacity was available to implement AIP2 capital and repair projects, and strategies were developed to acquire additional capacity where necessary. We noted that effective processes were implemented for the planning, prioritization and timely allocation of AIP2 resources for the AIP2 program. Existing departmental processes were consistently applied to allocate AIP2 funding, and in 2015-16, resources were allocated and spent on a timely basis.

Conclusion

63. Overall, the Audit did not identify any specific weaknesses or deficiencies relating to the governance of AIP2 that could compromise the delivery of the Program. AIP2 was generally delivered using existing departmental processes, supplemented by the AIP2 Program Management Framework that was developed to document the oversight structure and key processes that would be used to manage the Program.
64. An AIP2 Governance Framework was developed by the AIP2 National Office and communicated to the regions in May 2015. The governance structure included

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departmental and interdepartmental committees, however the structure described in the framework was never fully implemented. The AIP National Office indicated that to reflect the needs to the Program, the governance structure is being redesigned to foster strong partnerships and accountability to external shareholders. As of June 2016, the governance structure was being modified, and the latest structure had yet to be approved and communicated. Thus, we could not conclude if the established governance structure was effective to ensure the successful implementation of the Program.

65. Oversight of compliance and quality management were retained within existing governance structures in departmental branches and regions. Various existing departmental processes were available to monitor projects and contracting activities for compliance (e.g. National Project Management System compliance review performed by RPB). It was not possible to confirm the extent to which AIP2 activities were reviewed as part of these processes, since no compliance monitoring activities were performed specifically for AIP2. In addition, the Office of Audit and Evaluation is conducting a Continuous Audit of AIP2 project management and contracting activities and it has been determined that overall, for quarters 1 and 2, these activities were compliant with relevant authorities.
66. Performance in relation to AIP2 was monitored consistently and reported on an ongoing basis. A reporting framework was developed and communicated and was consistently applied to support monitoring and reporting of information on key AIP2 activities to relevant AIP2 stakeholders, including information on project management, contract award and administration, risk management information and on projects implemented under the RP-1 contracts. Processes were also established to review and validate AIP2 information. Nonetheless, the lack of integration between departmental systems created challenges in managing reporting expectations and required manual intervention.
67. Effective processes were implemented to manage AIP2 related risks. A national risk management framework was developed to define the AIP2 risk management process. Risks were identified, assessed, mitigated and monitored on an ongoing basis through risk assessments conducted at the national and regional levels, as well as at national and regional meetings. These risks were also reported to relevant AIP2 stakeholders through the Weekly pulse report and monthly status reports.
68. Effective processes were implemented for the planning, prioritization and timely allocation of resources for the effective delivery of AIP2 Program. Human resource capacity requirements were assessed, and sufficient human resources were available to implement AIP2 projects. In fiscal year 2015-16, there were capacity issues with regards to the program of work that was to be delivered under the RP-1 contracts in three regions due to transition to the new service provider. Actions have been taken to ensure that sufficient capacity is available for 2016-17.
69. Existing departmental processes were used to allocate resources, hence roles and responsibilities were defined and understood. Initial allocation of funding to the regions was done by the Program Management Sector, and established allocation

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guidelines and eligibility criteria were consistent with AIP2 objectives. In 2015-16, regions received only AIP2, not A-Base funding, which in turn had to be spent in the fiscal year allocated. Overall, resource allocation processes were consistently applied, and resources were allocated and spent on a timely basis with over 95% of the funding spent in fiscal year 2015-16.

Management response

Management has had the opportunity to review the report, and agrees with the conclusions and recommendation found therein. The Associate Assistant Deputy Minister is closely monitoring the progress of the AIP and the implementation of the newly revised governance structure. One notable pillar to the AIP Governance Structure is that the Associate Assistant Deputy Minister is either a member or the chair of both internal and external steering committees. Management also developed a Management Action Plan to address the audit recommendation.

Recommendations and management action plan

Recommendation 1: The Assistant Deputy Minister Real Property Branch should ensure that the AIP governance structure is finalized and implemented and is functioning as intended to manage and provide oversight over the AIP2 Program.

Management action plan 1.1: The revised Accelerated Infrastructure Program (AIP) Governance Structure will be finalized and formally approved by the Assistant Deputy Minister Real Property.

Management action plan 1.2: The Assistant Deputy Minister Real Property will ensure that this new Accelerated Infrastructure Program (AIP) Governance Structure is implemented and functioning as intended.

- Actions that will enhance the committee structure include the leveraging of existing departmental committees (i.e. the Investment Management Board, the Executive Committee, the National Capital Executive Board and the Engineering Asset Strategy Sector Director General Committee) to provide oversight over the Public Service and Procurement Canada's AIP program of work. The Committees' review of the AIP program will be documented in their Records of Decision.

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About the audit

Authority

This engagement was included in the Public Services and Procurement Canada (PSPC) 2015-2018 Risk-Based Audit and Evaluation Plan.

Objective

The objective of this audit was to determine whether the AIP2 Program Management Framework included appropriate governance, risk management and resource allocation processes to effectively manage the risks related to the Program.

Scope and approach

The Audit of AIP2 – Governance assessed whether the AIP2 Program Management Framework supported the achievement of AIP2's objectives and focused on RPB for its leadership role in providing direction and oversight for the delivery of AIP2.

This audit was conducted over two phases.

- Phase 1 examined strategic direction, oversight and risk management. AIP2 was officially launched on April 1, 2015 and program activities were in the early stages of implementation. Phase 1 allowed for the identification of possible improvements that could be made to enhance the AIP2 Program Management Framework that in turn will contribute to the enhancement of the overall delivery of AIP2
- Phase 2 examined the effectiveness of the implementation of risk management, monitoring and reporting, and resource allocation processes and will focus on AIP2 activities and outputs undertaken since April 1, 2015. Phase 2 started in the third quarter of fiscal year 2015-16 to allow for sufficient time for the Program to get underway

This audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

Criteria

The criteria used to assess the Program were as follows:

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Phase 1 Criteria

Phase 1	
Elements*	Criteria
Strategic Direction, Oversight and Risk Management <i>(Entire AIP2 program of work)</i>	<ul style="list-style-type: none"> •An effective governance and coordination structure has been established and implemented to ensure successful delivery of AIP2. <ul style="list-style-type: none"> ○Governance committees provide direction and oversight for AIP2, and these committees have documented terms of reference, as well as clearly defined and communicated roles and responsibilities related to governance ○Roles, responsibilities and accountabilities of additional key internal and external stakeholders are clearly defined, communicated and understood ○A national risk management framework is in place that defines the risk management process to support the achievement of AIP2 objectives ○A regional risk management framework is in place in each region. The regional frameworks are based on the national risk management framework

Phase 2 Criteria

Phase 2	
Elements*	Criteria
Risk Management <i>(Entire AIP2 program of work)</i>	<ul style="list-style-type: none"> •Key risks related to AIP2 are identified, assessed, documented, mitigated and reported on an ongoing basis. <ul style="list-style-type: none"> ○Risks are identified and assessed on an ongoing basis both nationally and regionally ○PSPC develops, documents, communicates and implements risk mitigation strategies for identified risks. Risk mitigation strategies are monitored ○Detailed and updated information on identified risks, their status and mitigation strategies at the national and regional level are reported to AIP2 governance committees
Monitoring and Reporting <i>(Entire AIP2 program of work)</i>	<ul style="list-style-type: none"> •Departmental performance in relation to AIP2 is monitored consistently and reported on an ongoing basis. <ul style="list-style-type: none"> ○Processes are developed and applied consistently to support monitoring and internal and external reporting activities to AIP2 governance committees. As part of this, controls are in place to ensure the integrity of the information (timely, accurate and complete) reported to AIP2 committees ○The processes established above support monitoring and reporting of: performance and compliance information, contract award information (including

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	<p>timeliness of award), contract administration, and risk management information</p> <ul style="list-style-type: none"> ○RP-1 Service Provider regularly sends timely, accurate and complete performance information to PSPC for monitoring and reporting purposes
<p>Resource Allocation</p> <hr/> <p><i>(PSPC AIP2 projects only)</i></p>	<ul style="list-style-type: none"> ●Effective processes have been implemented for the planning, prioritization and timely allocation of resources to ensure the effective delivery of PSPC's AIP2 projects. <ul style="list-style-type: none"> ○HR capacity requirements have been assessed and an HR strategy has been developed and implemented to ensure the timely delivery of AIP2 projects and ongoing operations ○All key resource allocation processes (e.g. repair and minor capital, major capital) have clearly defined: roles and responsibilities, processes and priority systems to allocate AIP2 resources based on established allocation guidelines and eligibility criteria ○The resource allocation processes are consistently applied ○AIP2 funds are allocated in a manner that will not result in significant year-end lapses

Audit work completed

Audit fieldwork for this audit was substantially completed on May 15, 2016.

Audit team

The Audit was conducted by members of the Office of Audit and Evaluation, overseen by the Acting Director of Procurement Audit and under the overall direction of the Chief Audit and Evaluation Executive.

The Audit was reviewed by the quality assessment function of the Office of Audit and Evaluation.

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Appendix A

List of other government departments which requested PSPC's services in relation to their AIP2 projects.

1. Fisheries and Oceans Canada (DFO)
2. Transport Canada (TC)
3. Royal Canadian Mounted Police (RCMP)
4. Public Safety Canada (PSS)
5. Parks Canada (PCA)
6. National Research Council (NRC)
7. Natural Resources Canada (NRCan)
8. Environment Canada (EC)
9. Department of National Defense (DND)
10. Canadian Space Agency (CSA)
11. Correctional Services Canada (CSC)
12. Canadian Food and Inspection Agency (CFIA)
13. Agriculture and Agri-Food Canada (AAFC)