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Final Report

Review of Regional Governance Processes for Investment Management

Office of Audit and Evaluation
Procurement Audit Directorate
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Public Works and
Government Services
Canada

Travaux publics et
Services gouvernementaux
Canada

Canada

Background

- Investment planning and management in the Government of Canada is primarily guided by two Treasury Board Policies: the Policy on Investment Planning – Assets and Acquired Services; and the Policy on the Management of Projects.
- Within Public Works and Government Services Canada (PWGSC) investments can be divided into two categories; Projects and Acquired Services.
- **Projects:** activities with specific time frame, cost and performance parameters
 - Approval for PWGSC Projects are governed by the Policy on the Management of Projects noted above. The delegated authority for approval of a Project is based upon a complexity assessment of the project.
- **Acquired Services:** ongoing operations and maintenance
 - Approval for PWGSC internally Acquired Services is based on the dollar value of the acquired service and the established delegated authority within PWGSC.



Background (continued)

- PWGSC created the Integrated Investment Plan (IIP) to address the Treasury Board's policy requirements on investment planning. The purpose of the IIP is to link investments to those priorities which support PWGSC's strategic outcomes and provide details on its major investments.
- The 2015-20 IIP includes \$15.3 billion in planned investments over five years, which is within the Department's available budgets. Of this, \$13.1 billion is forecasted for Acquired Services, and \$2.2 billion is for approved Projects.
- In the IIP, spending on Projects and Acquired Services are allocated by program. The IIP further categorizes Projects by Branch and Region (including the National Capital Area and Engineering Assets); however, planned investments in Acquired Services are only identified at the Branch-level, and not at the regional-level.
- Only projects with a cost greater than \$1 million are classified as Projects on the IIP. Projects with a value below \$1 million are not included in the IIP and are approved based on standard delegation of authority. The rest of the IIP is made up of Acquired Services.
- Depending on whether an investment is a Project or an Acquired Service, a different governance and oversight framework is applied.



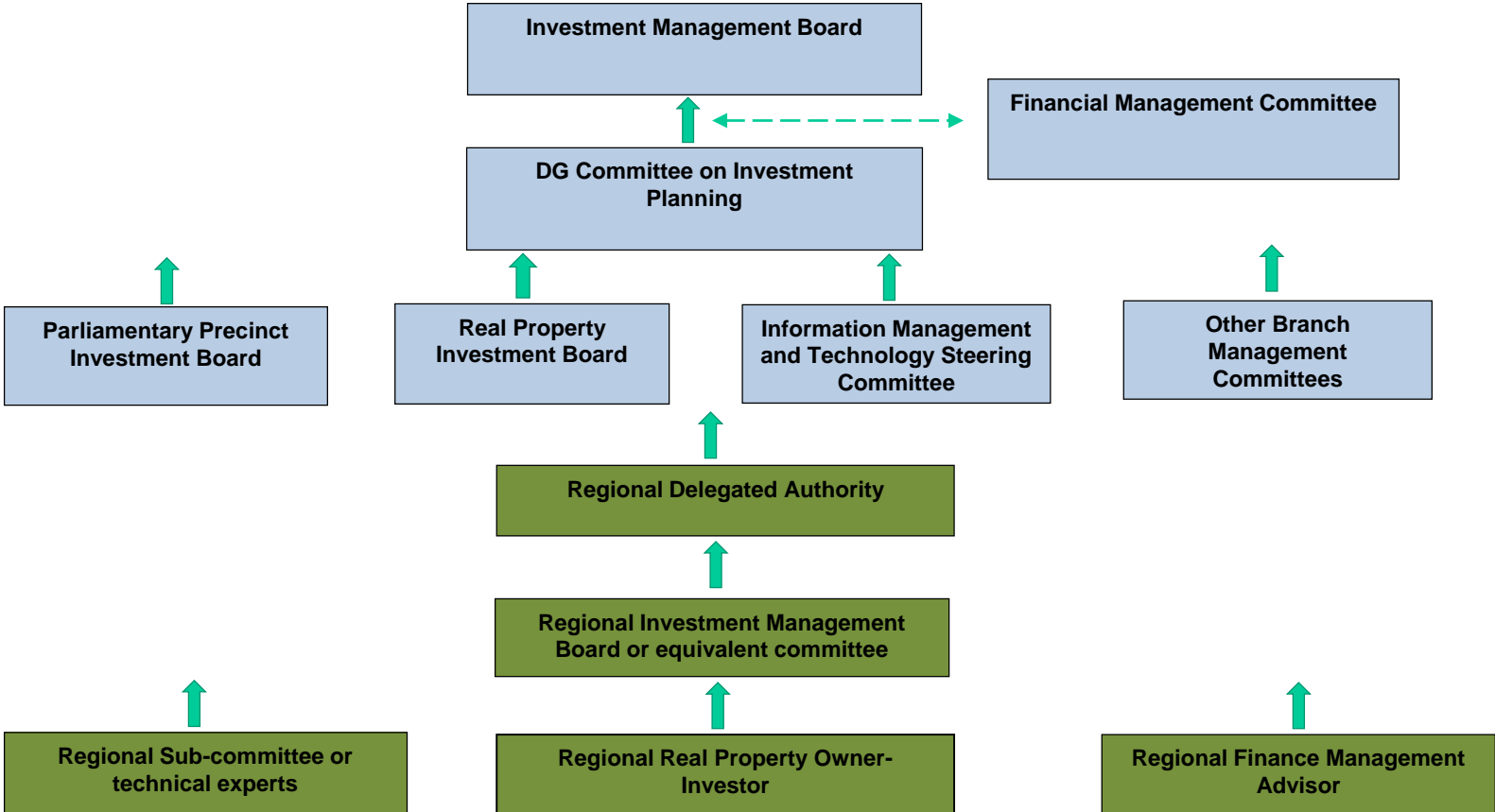
Background (continued)

- The governance and oversight structure for Projects is made up of committees at the regional, Director General, Assistant Deputy Minister, and Deputy Minister levels. Projects are reviewed through the committee structure, starting at the regional level (if applicable), moving to the Branch level and concluding at the Investment Management Board. Please see exhibits 1 and 2 on the following pages for more details.
- Projects that initiate in PWGSC's Regions feed into the committees noted above, and also undergo additional review at the regional-level before the projects are passed on to headquarters.
- This process is completed for regional projects by all PWGSC Regions, including the National Capital Area, and Engineering Assets.



Background (continued)

Exhibit 1 - Investment projects: Governance and oversight structure



Background (continued)

Exhibit 2 – Roles and responsibilities of the Investment Projects Governance Committees

Committee	Roles and Responsibilities
Investment Management Board	<ul style="list-style-type: none"> • Provides oversight at the departmental level • Ensures investments support priorities • Monitors risks and performance of investments • Supports the Deputy Minister in informing the Minister of sensitive issues pertaining to the IIP • Provides Project approval for IIP inclusion for high risk Projects
Finance Management Committee	<ul style="list-style-type: none"> • Reviews total spending on Projects and Acquired Services to ensure affordability of the recommended investments, and completeness of the IIP
DG Committee on Investment Planning	<ul style="list-style-type: none"> • Ensures investment planning is integrated and consistent across the Department • Implements continuous improvements to the IIP processes • Reviews Projects that are recommended by the Branch/Program Setting Committee
Branch/Program Priority Setting Committee: Real Property Investment Board, Parliamentary Precinct Investment Board, PWGSC IM/IT Steering Committee	<ul style="list-style-type: none"> • Provides Project approval for IIP inclusion for low risk Projects • Reviews and provides recommendations on high risk investment Projects

Background (continued)

Exhibit 2 – Roles and responsibilities of the Investment Projects Governance Committees (continued)

Committee	Roles and Responsibilities
Regional Delegated Authority	<ul style="list-style-type: none"> Approves (conditionally) Projects once the Project has been recommended for approval by the Regional Management Investment Board
Regional Investment Management Board (RIMB)	<ul style="list-style-type: none"> Reviews the regional Project and recommends it for approval, allowing it to be sent to the Real Property Investment Board for review
Regional Sub-Committee or technical experts:	<ul style="list-style-type: none"> Reviews the technical details of the Project, before the Project is reviewed by the RIMB Provides strategic and functional guidance to Project Leaders responsible for Project approvals Ensures options analysis is conducted
Regional Financial Management Advisor	<ul style="list-style-type: none"> Performs a due diligence review of the financial components of the proposed Project Completes an attestation document on the financial component of the Project that is signed off by the Regional Director, Finance
Regional Real Property Owner Investor	<ul style="list-style-type: none"> Reviews the details of the Project before it is sent for review by the Regional Financial Management Advisor and Regional Committees



Background (continued)

- The governance process for regional projects has been evolving since the initiation of the IIP. During the timeframe of our review, the Regions IIP projects were sent to RPB's National Portfolio Management within Headquarters where the project entered the Headquarters portion of the IIP process; this has since changed and Regions send their IIP projects to Office of Investment Management, Finance and Administration Branch for the Headquarters portion.
- The following table summarizes the approval requirements for regional IIP projects.

Complexity	Cost	Approval Level
1/ 2	< \$20 M	Regional Director General
1/ 2	> \$20 M	Assistant Deputy Minister, Real Property Branch
3	N/A	Deputy Minister
4	N/A	Treasury Board

Background (continued)

- Acquired Services on the IIP are forecasted future Acquired Services which, when acquired, will be acquired through one of PWGSC's three acquisition services mechanisms: (1) contracts within PWGSC's delegated authority; (2) contracts above PWGSC's delegated authority; or (3) Real Property leasing. Each of these mechanisms have their own oversight mechanisms in place, which include: assessing the risk level of the acquisition; applying varying levels of management oversight based on the risk level; and applying the delegation of authority based on the dollar value of the acquisition to control approvals.
- PWGSC is currently developing an Acquired Services' oversight framework to integrate the identification, and reporting of high risk acquisitions from each of these mechanisms to the IIP governance committees.
- We were advised that, unlike Projects, there is no regional involvement in the IIP process for Acquired Services. Forecasted regional spending on Acquired Services is not tracked or budgeted for separately on the IIP, instead they are rolled up into overall spending across PWGSC Branches.

Definition of Internal Audit/Review

- Audit
 - Provides a reasonable level of assurance by designing procedures so that the risk of an inappropriate conclusion being drawn based on the audit procedures performed is reduced to a low level.
 - Includes inspection, observation, inquiry, confirmation, recalculation, re-performance and analytical procedures.
- Review
 - Provides a moderate level of assurance by designing procedures so that the risk of an inappropriate conclusion being drawn based on the review procedures being performed is reduced to a moderate level.
 - Procedures are normally limited to inquiry, analytical procedures and discussion.
 - Risk is reduced to a moderate level when the evidence obtained enables us to conclude that the subject matter is plausible in the circumstances

Review objective & scope

Objective: To determine if regional governance and control processes are sufficient, appropriate, and being consistently applied to ensure the effective management of investments.

Scope: The review focused on investments that originated in the Regions, National Capital Area, and Engineering Assets, and were included in the 2015-16 to 2019-20 Integrated Investment Plan.

As only Projects on the IIP have a specified regional governance process, the review focused on the governance and control processes for regional projects. As there is no regional involvement with the Acquired Services portion of the IIP, and as regional acquisitions go through the standard delegation of authority process, Acquired Services were excluded from the scope of this Review.

Review criteria

The review criteria were derived from the results of the risk assessment. Risk areas with risk levels of moderate and above were included in this review. The criteria were developed based on guidance from the Treasury Board Secretariat's Management Accountability Framework, the National Project Management System Policy, the Policy on Integrated Risk Management, the Policy on Investment Planning, and the IIP Procedural Handbook. We would expect that the following elements are in place and appropriate:

1. **Governance processes**
2. **Control processes**



Review criteria (continued)

Governance processes: Oversight bodies are established and effectively provide strategic direction and oversight for regional IIP Projects.

- Oversight bodies are established to ensure effective management over regional investments.
- Oversight bodies provide strategic direction and oversight over regional investments.
- Roles, responsibilities, and accountabilities of the oversight committees related to the Regional investments are sufficient, and have been defined, documented, and fulfilled.
- Formal monitoring and reporting mechanisms are in place to provide oversight committees with timely information that allows them to monitor the progress of regional investments, and compliance with policies and procedures.

Review criteria (continued)

Control processes: The Regions follow a sufficient, appropriate and documented process for IIP Projects, and the process is consistently applied.

- A sufficient, appropriate, and documented process is in place and followed for regional investments.
- Regional processes for the IIP Projects are consistently applied to IIP investments within the Regions.



Review approach

- The review covered the period from April 2015 to March 2016. We also discussed with the Regions changes that were made to the governance process subsequent to the time period reviewed.
- Interviews were conducted with key officials in each region, including the National Capital Area and Engineering Assets, responsible for the IIP process. Documentation related to the IIP process was examined, including but not limited to, regional IIP process maps, Terms of Reference for the RIMBs, records of decision and meeting minutes for all RIMB meetings in each Region, including the National Capital Area and Engineering Assets, for the 2015/16 year, the IIP, Investment Analysis reports, and evidence of technical review.
- We randomly selected one project from each Region, including the National Capital Area and Engineering Assets, which had been included on the IIP in 2015/16. The review team performed a walkthrough of each project to assess whether each of the identified steps in the regional governance process had been carried out.
- Through questionnaires, individuals were surveyed from each Region, including the National Capital Area and Engineering Assets, and the responses were analyzed and additional information gathered as required.



Regional governance and control processes

Overall results

Audit criteria:	Region						
	Pacific	Western	Ontario	Engineering	National Capital Area	Quebec	Atlantic
Governance processes							
1) Oversight bodies are established to ensure effective management over regional investments	√	√	√	√	√	√	√
2) Oversight bodies are established to provide strategic direction and oversight over regional investments	√	√	√	√	√	√	√
3) Roles, responsibilities, and accountabilities of the oversight committees related to the regional investments are sufficient, and have been defined, documented, and fulfilled.	√	√	√	√	√	√	√
4) Formal monitoring and reporting mechanism are in place to provide oversight committees with timely information that allows them to monitor the progress of regional investments, and compliance with policies and procedures.	√	√	√	√	√	√	√
Control Processes							
1) A sufficient, appropriate and documented process is in place and followed for regional investments	√	√	√	√	√	√	√
2) Regional processes for IIP projects are consistently applied to IIP investments within the Regions.	√	√	√	√	√	√	√

√: Criteria met

Governance processes



Governance

1) Oversight bodies were established and included appropriate representation to provide oversight over regional investments.

- We found that all the Regions, including National Capital Area and Engineering Assets had a Regional Investment Management Board (RIMB) or an equivalent committee.
- Each committee had defined and documented mandates which provided details of the purpose of the committee, membership, frequency of meetings and roles and responsibilities of committee members.
- Committee membership includes representation from a variety of subject matter experts at the management level, including Finance and Administration Branch and Client Services, and note that other subject matter experts may attend as guests as required.
- We were informed that the members collectively possess the knowledge and expertise to make informed decisions.

Governance

2) Oversight bodies provided strategic direction on regional investments.

- We found that oversight bodies met on a regular basis and provided strategic direction on regional investments (i.e. project discussions, review of project documentation and risks).
- We found that the Investment Analysis Report, which is a key project document identifying project information such as costs, risks and similar project details, was provided to the RIMBs. The Investment Analysis Reports identified the alignment between the project and strategic plans such as the Asset Management Plan, the Building Management Plan, and Community Based Investment Strategy.
- The meeting minutes reviewed indicated that the members discussed how the investments aligned with various Real Property Branch and PWGSC strategies such as Workplace 2.0, AIP 2, and the National Investment Strategy.



Governance

3) Oversight bodies requested and received sufficient, complete, timely and accurate information relating to Projects.

- Information such as the Investment Analysis Report, which identified key project information including a project's technical and financial details, risks, and alignment with strategic plans was presented and reviewed at the RIMB.
- To ensure the information was accurate and complete, the information was distributed and reviewed by subject matter experts in advance of presentation at the RIMB.
- All Regions, including National Capital Area and Engineering Assets provided evidence of technical review in advance of the RIMB.
- There were some differences between Regions in the form of this advance review, with some Regions having a defined sub-committee with approved Terms of Reference, while others had informal working groups or reviews by a few specified subject matter experts.
- We noted that while Regions were required to have a RIMB for their delegations of authority, sub-committees were optional.

Governance

3) Oversight bodies requested and received sufficient, complete, timely and accurate information relating to Projects (continued).

- Responses from the chairs of the RIMBs indicated that the information provided was detailed, sufficient, complete, timely and accurate to facilitate making informed decisions regarding projects.
- In addition, we were informed that as required, subject matter experts would attend RIMB meetings to provide additional support to the committee.
- During our review of several RIMB meeting minutes from each Region including National Capital Area and Engineering Assets, we noted various individuals being invited as guests to the meetings to provide additional support.

Governance

4) Roles and responsibilities of oversight committees were defined and documented; some are in the process of being updated to address recent changes in governance processes.

- The Terms of Reference for all the RIMBs (or their equivalent boards) documented in detail, the purpose, authority, membership, and roles and responsibilities.
- Six of the seven RIMBs documented the meeting frequency directly in their Terms of Reference, and all RIMBs met in accordance with their documented meeting frequency. Pacific Region noted that they were in the process of updating their Terms of Reference to reflect recent changes in the meeting frequency.
- There have been recent changes in the delegation of authority for IIP project inclusion:
 - Regions can now both approve projects, as well as approve the project's inclusion on the IIP when the approval is within their delegated authority
 - In addition, there is a new requirement for the RIMBs to monitor projects after approval

Governance

5) Roles and responsibilities of committee members were fulfilled.

- We obtained evidence that the RIMB members received relevant project information, and provided a challenge function over items related to the projects.
- Meeting minutes and Records of Decision from RIMB meetings identified IIP projects were being reviewed and project information was being discussed and challenged. The minutes also identified cases where the committee required additional information to be provided, and concerns addressed before a project was approved.
- RIMB attendance for the Pacific, Western, and Atlantic Regions, as well as the National Capital Area and Engineering Assets was very strong.
- We are unable to determine the attendance rates for the Ontario and Quebec Regions' RIMB meetings as the meeting minutes did not clearly indicate when an individual was absent or if a replacement was sent on a member's behalf.
- Both Regions stated they are working towards improving their meeting minutes to better identify attendance.
- Subsequent to our examination phase, Ontario Region provided RIMB minutes from a meeting which clearly indicated all voting members were present.

Governance

6) Monitoring and reporting took place for regional investment projects.

- The Investment Analysis Report, along with other key project information is provided to the oversight committee in advance of project approval. Information in the Investment Analysis Report included a risk assessment and details on how the project management team would mitigate and manage/mitigate the risks.
- We were informed by the Regions that, during the time of the review's scope, the RIMBs played a key role in the project approval and IIP inclusion process. However, once the projects were included on the IIP further project monitoring and reporting was not specifically a part of the RIMBs duties. Project monitoring was carried out at the regional level by a variety of other avenues, such as separate committees whose responsibilities included providing oversight over projects experiencing challenges.
- We were advised that a new requirement was recently added to the role of the RIMBs that required them to monitor the performance of projects after approval by reviewing status updates using On Time, On Budget, On Scope reports. The RIMB's Terms of Reference were recently updated to reflect this requirement in their roles and responsibilities.

Control processes



Control processes

1) Policies, directives, guidelines and/or procedures were in place, and the alignment of investment policies, directives, guidelines and/or procedures were periodically assessed.

- The Pacific Region, National Capital Area Portfolio, Western Region, and Ontario Region had detailed process maps outlining the regional approval process for IIP project documentation. Other Regions had guidelines but had not documented the process with the use of maps.
- All Regions explained the IIP governance process consistently and accurately, including the steps that take place at the regional level, and provided evidence of a project going through each step of the process.
- At the project management level, we found that the project managers and leaders had a strong understanding of the National Project Management System and the project approval process; however, the level of knowledge regarding the IIP approval process was inconsistent, as was training on this process.
- We were advised that the regional Owner Investor representative was responsible for the IIP process, while the project managers and leaders were responsible for project delivery and preparing National Project Management System documents which serve as IIP inputs, as well as provided information for the On Time, On Budget, On Scope reports. This mitigated risk that the IIP process would not be followed at the project management level.

Control processes

1) Policies, directives, guidelines and/or procedures were in place, and the alignment of investment policies, directives, guidelines and/or procedures were periodically assessed (continued).

- We were informed that the IIP processes at the regional level were being updated during the timeframe of our Review to reflect the requirement for RIMBs to review project status reports for their regional IIP projects.



Control processes

2) Investments (projects) followed the IIP process, and controls were in place to ensure the processes were consistently applied to IIP projects.

- To assess whether regional projects followed the process, and to identify the controls within the process, we surveyed members of the RIMB and the sub-committees.
- To confirm the controls that existed in the process, we interviewed key contacts in the Regions, National Capital Area, Engineering Assets, and National Portfolio Management within Real Property Branch.
- We conducted a walk-through of the process, and sampled one project from each Region, National Capital Area, and Engineering Assets.
- We found the following controls:
 - The RIMB reviewed relevant documentation such as the Preliminary Project Plan, Investment Analysis Reports, Asset Management Plans, Community Based Asset Strategies, Real Property Investment Proposals and National Project Management System documents
 - The representative from Finance and Administration Branch reviewed the financial analysis documentation

Control processes

2) Investments (projects) followed the IIP process, and controls were in place to ensure the processes were consistently applied to IIP projects (continued).

- In addition to the regional level reviews and approval, an additional review was completed at headquarters to ensure that the appropriate approvals were in place, and the appropriate documentation had been completed.
- The results of our review of projects indicated that all projects had followed the defined process as described.
- We noted that the Quebec and Ontario projects did not have a completed Chief Financial Officer attestation checklist, however, we were told that this was not a requirement during the period these projects were approved regionally.
- New IIP projects all require that this review be completed by a regional finance representative, and the form signed by the Regional Director, Finance Services, Finance and Administration Branch.

Continued evolution of governance processes

- During the course of the Review, the regional governance processes continued to evolve. These changes impact the process for IIP projects after review by RIMB, and include:
 - After regional governance processes are complete, the project information is provided to the Office of Investment Management in Finance and Administration Branch to continue through the headquarters portion of the IIP
 - Previously, the Project information had been provided to National Portfolio Management within the Real Property Branch for review by the Real Property Branch level IIP governance committee for decision on project inclusion on the IIP. The project information was provided to Finance and Administration Branch for the review of the project documentation to continue through headquarters portion of the IIP. Regions could approve projects within their approval authority; however, this approval was conditional on approval for inclusion in the IIP, meaning work on these projects could not continue until they had gone through Real Property Branch approved inclusion on the IIP
 - Regions can now approve projects for IIP inclusion within their approval authority. We were informed that the process was streamlined to reduce delays for regional projects, by eliminating the duplication of work

Continued evolution of governance processes (cont'd)

- As these processes were modified and still being implemented during the time the Review took place, we did not assess projects going through the modified process. At the end of our examination phase, few Regions had a new project that went through the new process, and the changes identified did not impact the governance process which took place before projects are brought to RIMB.



Conclusion

- Each Region, including the National Capital Area and Engineering Assets, had sufficient and appropriate governance and control processes for IIP investments which were consistently applied to ensure the effective management of investments.
- Since the timeframe of our review, the RIMBs' roles and responsibilities have been updated to include monitoring of the performance of IIP projects after they had been approved. This monitoring had previously been carried out through other channels regionally, and at the headquarters level.

Management response:

Management has had the opportunity to review the Final Report for the Review of Regional Governance Processes for Investment Management and agrees with the conclusions that are presented.

