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Integrated Business Planning Audit

Office of the Chief Audit Executive

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Table of Contents

EXECUTIVE SUMMARY	1
1.0 INTRODUCTION AND CONTEXT	1
1.1 Integrated Business Planning	1
1.2 Legislative Base and Drivers for Integrated Planning	1
1.3 Integrated Business Planning at the Department of Canadian Heritage	2
2.0 ABOUT THE AUDIT	3
2.1 Project Authority	3
2.2 Objective	3
2.3 Scope	3
2.4 Methodology	3
3.0 FINDINGS AND RECOMMENDATIONS	3
3.1 Governance	4
3.2 Control	6
3.3 Risk Management	7
APPENDIX A – AUDIT CRITERIA	8
APPENDIX B – MANAGEMENT ACTION PLAN	11



List of Acronyms

AASD	Audit and Assurance Services Directorate
ADM	Assistant Deputy Minister
DG	Director General
DM	Deputy Minister
EXCOM	Executive Committee
IM/IT	Information Management/Information Technology
IPMEC	Integrated Planning Performance Measurement and Evaluation Committee
MAF	Management Accountability Framework
PCH	Department of Canadian Heritage
PMA	Performance Measurement Agreement
RBAP	Risk-Based Audit Plan
RPP	Report on Plans and Priorities
SPD	Strategic Planning Directorate
SPPCA	Strategic Policy, Planning and Corporate Affairs
SPPRB	Strategic Policy, Planning Research Branch
TBS	Treasury Board Secretariat
TOR	Terms of Reference

Executive Summary

Introduction

An internal audit of integrated business planning was included in the 2014-2015 to 2016-2017 Risk-based Audit Plan that was approved by the Deputy Minister of Canadian Heritage (PCH). The audit was undertaken given that integrated business planning at PCH is important for helping to ensure an efficient and effective allocation of resources and for supporting decision-making at all levels of the Department.

The objective of this audit is to provide assurance on the adequacy and effectiveness of the governance, risk management and management controls of the Department's Integrated Business Planning process.

The Strategic Policy, Planning Research Branch (SPPRB) in the Strategic Policy, Planning and Corporate Affairs Sector is responsible for the development and direction of departmental integrated business planning.

Findings and Recommendations

Good Practices

Governance

- Management of the Strategic Planning Directorate (SPD) integrated business planning process and of the integrated business plan is provided by the Assistant Deputy Minister (ADM), Strategic Policy, Planning and Corporate Affairs (SPPCA). Oversight is provided by the Integrated Planning Performance Measurement and Evaluation Committee (IPPEM) and the Executive Committee (EXCOM). Governance is well-established and processes are documented.

Risk Management

- The audit team found no issues related to risk management of the integrated business planning. There are no recommendations for these areas.

Controls

- SPD provides tools and mechanisms to PCH management and staff of sectors, branches and direct reports to undertake integrated business planning. There are no recommendations for these areas.

Opportunities for Improvement

Governance

Finding 1:

There is no formal and approved mandate, strategic direction or measurable objectives for integrated business planning.

Recommendation 1.1:

Director, SPD should prepare and communicate a formal statement of the mandate, strategic direction and measurable results for integrated business planning.

Recommendation 1.2:

Director, SPD should assess and report on the need for, and identify the components and benefits of, a comprehensive departmental integrated business plan.

Finding 2:

There is no documented quality assurance approach for integrated business planning within the SPD.

Recommendation 2:

Director, SPD should formalize and document the quality assurance approach for integrated business planning in SPD.

Statement of Conformance

In my professional judgment as Chief Audit Executive, the audit conforms to Treasury Board *Internal Auditing Standards for the Government of Canada* as supported by the results of the quality assurance and improvement program.

Audit Opinion

In my opinion, integrated business planning processes at the Department of Canadian Heritage require moderate improvements in governance related to the formal direction for integrated business planning and documented quality assurance.

Signed by

Maria Lapointe-Savoie

Chief Audit Executive

Department of Canadian Heritage

Team Members

- Maria Lapointe-Savoie, Chief Audit Executive
- Siriseng Malichanh, Audit Manager
- Chrystianne Pilon, Auditor
- Dominic Gamble, Junior Auditor

1.0 Introduction and Context

1.1 Integrated Business Planning

Theory and practice demonstrate that integrated business planning is important in all organizations, is often challenging in large and complex organizations, and quite simply, it is good management. The identification of clearly defined priorities and a process for efficiently aligning resources with them is at the heart of good planning. Furthermore, integrated business planning goes hand in hand with building effective and cohesive organizations; doing both well requires clarity about key goals and the human skills and capacity needed to achieve them.

1.2 Legislative Base and Drivers for Integrated Planning

The *Accountability Act* established a broad legislative context for Deputy Minister (DM) accountabilities with regard to the performance of assigned duties in relation to the administration of departments. Departmental administration includes a number of components which can be extrapolated into a series of sub components including integrated planning.

There are no overarching Government of Canada internal policy requirements for integrated business planning. However, there are certain Acts (i.e. *Federal Accountability Act*¹, *Financial Administration Act*², *Public Service Modernization Act*³, *Employment Equity Act*⁴, *Official Languages Act*⁵), and a suite of Treasury Board Secretariat policies and related instruments, such as the *Policy on Management, Resources and Results Structures*⁶ and the *Management Accountability Framework*⁷ that support integrated business planning as a hallmark of management excellence.

Guidance for Deputy Ministers, an important document issued by the Clerk of the Privy Council, is intended to clarify how Deputy Ministers fulfill their role in the Government of Canada. Guidance for Deputy Ministers signals that, “Effective departmental management requires careful integration of resources management planning with the planning of departmental activities.”

Ongoing drivers for integrated planning include: The Clerk’s Corporate Priorities; the Auditor General’s findings related to Human Resources planning (1999 forward); the Staffing Management Accountability Framework; and the Treasury Board Secretariat’s

¹ *Federal Accountability Act*: <http://laws-lois.justice.gc.ca/PDF/F-5.5.pdf>

² *Financial Administration Act*: <http://laws-lois.justice.gc.ca/PDF/F-11.pdf>

³ *Public Service Modernization Act*: <http://laws-lois.justice.gc.ca/PDF/P-33.4.pdf>

⁴ *Employment Equity Act*: <http://laws-lois.justice.gc.ca/PDF/E-5.401.pdf>

⁵ *Official Languages Act*: <http://laws-lois.justice.gc.ca/PDF/O-3.01.pdf>

⁶ *Policy on Management Resources and Results Structures*: <http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=18218>

⁷ *Management Accountability Framework*: <http://www.tbs-sct.gc.ca/maf-crg/index-eng.asp>

(TBS) renewal of the Management Accountability Framework (MAF) which includes a new focus on integrated risk management, planning and performance.

The Treasury Board *Policy on Internal Audit* expects the DM to be effectively supported in the role of accounting officer by a strong, credible internal auditing regime that contributes directly to sound risk management, control and governance processes and that the DM is provided with independent assurance from internal auditing regarding the effectiveness of those processes.

1.3 Integrated Business Planning at the Department of Canadian Heritage

Integrated business planning at the Department of Canadian Heritage (PCH) is an integral part of the management processes of PCH and is led by the Strategic Planning Directorate (SPD) of the Strategic Policy, Planning and Research Branch (SPPRB).

Oversight for integrated business planning processes and of the departmental integrated business plan (*The PCH Story*) is provided by the Assistant Deputy Minister (ADM), Strategic Policy, Planning and Corporate Affairs (SPPCA), and through two committees: the Integrated Planning Performance Measurement and Evaluation Committee (IPPMEC) and the Executive Committee (EXCOM).

Integrated business planning activities within SPD are undertaken primarily by the Director, a Manager, and a Project Leader. There is also a dedicated Integrated Planning Performance and Risk Management Working Group with members from across PCH.

Under the auspices of a call letter issued by the ADM, SPPCA, SPD collects integrated business planning information from sectors, branches and direct reports through the use of a standard template. Integrated business planning is described by SPD as a decentralized approach and the process is integral to the Department's overall planning process. The information gathered during this "One-Pass Planning" approach is used to prepare *The PCH Story*. Since 2014-2015, the initial draft of the Department's Report on Plans and Priorities (RPP) is also prepared by SPD based on the information gathered through the integrated business planning process.

The PCH Story is described by SPD as a valuable resource tool that highlights some of the achievements of the past year in support of the PCH mandate, as well as key priorities for the coming year and the course of action to meet these objectives. In July, 2014, the DM informed all employees that *The PCH Story* - PCH's 2014-2015 Corporate Plan - was available on the intranet.

Information collected during SPD's integrated business planning process also contributes to other key Departmental reports such as: the PCH Corporate Risk Profile, the *Official Languages Act* Annual Report (Section 41) and the *Canadian Multiculturalism Act* Annual Report. In addition, the following PCH operational plans all rely in part on the integrated business planning information; the Operational Plan, the Information Management/Information Technology (IM/IT) Plan, the Procurement Plan, the Annual Risk-Based Audit Plan, the Communications Plan, the Investment Plan and the Research Plan.

2.0 About the Audit

2.1 Project Authority

As approved by the DM in the *2014-2015 to 2016-2017 Risk-Based Audit Plan (RBAP)*, the Audit and Assurance Services Directorate (AASD) completed the *Integrated Business Planning Audit*.

An audit of integrated business planning has not been conducted previously at PCH. The recently completed *Corporate Risk Management Audit* (June 2014) is related to this work, as the information collected during the integrated business planning process contributes to the PCH Corporate Risk Profile.

2.2 Objective

The objective for this audit is to provide assurance on the adequacy and effectiveness of the governance, risk management and control of integrated business planning.

2.3 Scope

The scope of the audit includes SPD's integrated business planning processes and the departmental integrated business plan (*The PCH Story*). AASD examined the branch, sector and direct report integrated business planning processes and plans across PCH as part of the audit methodology. The audit covers the fiscal years 2014-2015 and 2015-2016 to the substantial completion of the audit work.

2.4 Methodology

The *Integrated Business Planning Audit* was conducted in keeping with the Treasury Board *Internal Auditing Standards for the Government of Canada* and *Policy on Internal Audit*. The audit methodology included:

- a review of PCH materials (e.g., documents, decks, etc.) relevant to integrated business planning;
- interviews with PCH management and staff that both provide input to, or are responsible for integrated business planning, its processes, procedures and practices; and
- analysing information obtained through document review and interviews.

3.0 Findings and Recommendations

Findings are based on a combination of the evidence gathered through the audit methodologies applied for each audit criteria. AASD requested documents from SPD related to their integrated business planning processes and *The PCH Story*, and related to the objective, scope and criteria of the audit. AASD reviewed and analyzed the documents received and conducted follow-up interviews with SPD and with management and staff from across PCH.

In addition to the findings presented in the audit report, observations of conditions that were non-systemic and of lower materiality and risk were separately communicated for management's consideration and action.

[Appendix A](#) provides a summary of all findings and conclusions for each of the criteria assessed during the audit.

3.1 Governance

Established responsibility and accountability for integrated business planning

Oversight of SPD integrated business planning is provided by the ADM, SPPCA and by the IPPMEC and the EXCOM and is well-established and documented

Clear authority, responsibility and accountability for SPD's integrated business planning processes and results should be established and communicated.

The Terms of Reference (TOR) and meeting minutes of both IPPMEC and EXCOM include the expectations, responsibilities and undertakings of the committees with regard to integrated business planning and departmental planning respectively. IPPMEC approves both the integrated business planning process and the integrated business plan, and endorses the approach for the RPP. EXCOM is the final decision-making body on all aspects of PCH planning. Integrated business planning information provided by sectors, branches and direct reports to SPD is reviewed, approved and signed by the ADMs and Director Generals (DGs) that submit information to SPD. The continued use of the Integrated Planning Performance and Risk Management Working Group provides an opportunity for the members from across PCH to learn from, and share advice with SPD.

Within SPD, integrated business planning activities are undertaken primary by the Director, SPD, a Manager, and a Project Leader who reportedly spend some 30-50 percent of their time on integrated business planning and the integrated business plan. There is recognition of integrated business planning responsibilities and the departmental integrated business plan in the current performance agreements of these staff. This recognition is not found explicitly in the SPD DG's current Performance Measurement Agreement (PMA) and no specific allocation of resources is made to integrated business planning by SPD. Integrated business planning is seen as part of the overall strategic planning responsibilities of SPD.

Appropriate oversight and recognition of responsibilities allows SPD to consider issues that may impact its ability to deliver on expected performance.

No formal direction for integrated business planning

There is no formal and approved mandate, strategic direction or measureable objectives for integrated business planning

Integrated business planning should have an approved mandate, strategic direction, priorities, and measureable objectives that are linked to strategic objectives and that are effectively communicated to stakeholders.

There is no formal, approved mandate or strategic direction and no on-going stated objectives for integrated business planning. However, there are sources to build on and develop clear results expectations. For example, IPPMEC was provided with high-level objectives for integrated business planning for 2015-2016, and the TOR for the Integrated Planning Performance and Risk Management Working Group contains specific reference to the expected outcomes related to integrated business planning. Interviewees both within and outside SPD indicated that integrated business planning is a long-established practice in the PCH and that the intent of integrated business planning is well-known.

The PCH Story is not recognized as an integrated business plan within PCH and does not include the elements described by TBS as integrated planning (i.e., review business goals, scan the environment, identify gaps, develop an integrated plan, and measure progress). *The PCH Story* does not provide sectors, branches and direct reports with integrated business planning information as described in both the IPPMEC and integrated business planning Working Group TORs (i.e., human resources, financial, IM/IT, capital/procurement, and risk management components). *The PCH Story* serves primarily as a high-level communication tool. The draft and final versions of the integrated business plan (*The PCH Story*) is shared with oversight committees for review, comment and approval.

While there is an understood and sometimes informal (i.e., information decks) or other recognition (i.e., Committee or Working Group Terms of Reference) of the objectives of integrated business planning, a lack of clearly stated and measurable expected results does not allow SPD to evaluate, assess or improve on performance.

Recommendation 1.1:

Director, SPD should prepare and communicate a formal statement of the mandate, strategic direction and measurable results for integrated business planning.

Recommendation 1.2:

Director, SPD should assess and report on the need for, and identify the components and benefits of, a comprehensive departmental integrated business plan.

No documented quality assurance for integrated business planning within SPD

There is no documented quality assurance approach for integrated business planning within the SPD

Integrated business planning information and the integrated business plan presented to oversight management and committees should be subject to quality assurance.

There is no documented approach to quality assurance for the integrated business plan within SPD. SPD staff report that the integrated business planning information received from the sectors, branches and direct reports is reviewed by SPD and that clarification is sought on an ad hoc basis. Entities submitting or using integrated business planning information report that SPD management and staff are available to clarify integrated business planning information needs on an on-going basis.

Interviews with those responsible for the input of integrated business planning information to SPD indicate that SPD does not exercise a quality assurance role with respect to the information provided and does not offer written guidance on how to ensure the information is correct or complete. SPD relies on the assertions provided by responsible ADMs and DGs when integrated business planning information is submitted.

The following factors impact the integrated business planning process: the timing of the process (e.g., financial vs. integrated business planning calendars and deadlines); the prescribed nature of some of the requested information (e.g., Human Resources information); and the fluid nature and emerging expectations of the Department.

The integrated business planning information gathering process directly generates the material used to prepare the draft RPP and the process is a critical input to many other key departmental documents. While quality assurance activities are reportedly undertaken on an ad hoc basis by SPD and within sectors and branches by planning staff and management, there is no assurance that the information provided is correct or contains the components expected in a departmental integrated business plan.

Recommendation 2:

Director, SPD should formalize and document the quality assurance approach for integrated business planning within SPD.

3.2 Control

Tools and mechanisms available to implement integrated business planning

SPD provides tools and mechanisms to PCH management and staff of sectors, branches and direct reports to undertake integrated business planning

SPD employees responsible for integrated business planning, as well as the management and staff of sectors, branches and direct reports responsible and/or accountable for integrated business planning input, should have access to sufficient tools to undertake and complete their integrated business planning roles.

While there is no formal, on-going project management guidance for the integrated business planning process within SPD, SPD has developed, uses and provides a comprehensive template for the gathering of integrated business planning information. The template includes embedded guidance and contact names to assist those responsible for completing the document. SPD provides information sessions and ad hoc guidance to all sectors, branches and direct reports regarding the integrated business planning process and template. The use of a standard template ensures that SPD gathers the information needed both to prepare the integrated business plan and to provide information for other key departmental documents based on the information gathered.

Oversight committees are briefed on the integrated business planning process and review, and approve the integrated business plan. SPD chairs the Integrated Planning Performance and Risk Management Working Group with members from across PCH.

Formalizing a project management approach to the integrated business planning process within SPD would mediate against the potential loss of key personnel within the Directorate.

3.3 Risk Management

No issues were raised related to risk management process established with regard to integrated business planning within the SPD

The audit team expected a formal, approved and communicated risk management process to be in place and implemented, which includes the identification, assessment and mediation of risks to the integrated business planning within SPD.

Risks related to the SPPRB are identified in the integrated business planning submission for the Branch and indirectly addresses the risks for the integrated business planning activities within SPD.

Appendix A – Audit Criteria

The conclusions reached for each audit criterion were developed in keeping with the following definitions.

Score	Conclusion	Definition
1	Well Controlled	<ul style="list-style-type: none"> • Well managed, no material weaknesses noted. • Effective.
2	Controlled	<ul style="list-style-type: none"> • Well managed, minor improvements are needed. • Effective.
3	Moderate Issues	<ul style="list-style-type: none"> • Has moderate issues requiring management focus (at least one of the following two criteria need to be met): <ul style="list-style-type: none"> – Control weaknesses, but exposure is limited because likelihood of risk occurring is not high. – Control weaknesses, but exposure is limited because impact of the risk is not high.
4	Significant Improvements Required	<p>Requires significant improvements (at least one of the following three criteria need to be met):</p> <ul style="list-style-type: none"> – Financial adjustments material to line item or area or to the Department. – Control deficiencies represent serious exposure. – Major deficiencies in overall control structure. <p>Note: Every audit criteria that is categorized as a “4” must be immediately disclosed to the CAE and the subjects matter’s DG or higher level for corrective action.</p>

The following are the audit criteria and examples of key evidence and/or observations noted which were analyzed and against which conclusions were drawn.

Audit Objective: To provide assurance on the adequacy and effectiveness of the governance, risk management and control of Integrated Business Planning			
Criteria	Audit Criteria	Conclusion	Examples of Key Evidence / Observation
Governance			
1.1	There are clear, defined and measureable business objectives and results for integrated business planning and operational plans for integrated business planning are aimed at achieving strategic objectives.	3	<p>Oversight:</p> <ul style="list-style-type: none"> • Oversight for integrated business planning and for the integrated business plan is provided by the ADM, SPPCA, by SPD senior management and by IPPMEC and EXCOM. <p>Mandate / Objectives:</p> <ul style="list-style-type: none"> • There is no formal, written mandate / objectives for integrated business planning. • Interviewees indicated that integrated business planning was a long-established practice and the intent is well-known. <p>Quality Assurance:</p> <ul style="list-style-type: none"> • SPD acknowledges that there is no formal quality assurance for its integrated business planning processes. • SPD staff may, on an ad hoc basis, validate integrated business planning information. • SPD relies on branch / sector / direct reports approval of template submissions. • The final results from the PCH integrated business planning processes are provided to IPPMEC and EXCOM for review and approval.
1.2	Clear authority, responsibility and accountability for the integrated business planning process and results has been established and	2	<ul style="list-style-type: none"> • TORs and meeting minutes of IPPMEC and EXCOM speak directly to the expectations, responsibilities and undertaking of the committees with regard to integrated business planning. • Integrated business planning

Audit Objective: To provide assurance on the adequacy and effectiveness of the governance, risk management and control of Integrated Business Planning			
Criteria	Audit Criteria	Conclusion	Examples of Key Evidence / Observation
	communicated.		<p>responsibilities and performance expectations are defined in the PMAs of appropriate SPD staff.</p> <ul style="list-style-type: none"> The SPD integrated business planning process and product are reviewed and approved by the ADM, SPPCA and by IPPMEC and EXCOM.
Audit Objective: To provide assurance on the adequacy and effectiveness of the governance, risk management and control of Integrated Business Planning			
Criteria	Audit Criteria	Conclusion	Examples of Key Evidence / Observation
Risk Management			
2.1	There is a formal, approved and communicated risk management approach in place that includes the identification, assessment and mediation of risks to integrated business planning processes and results.	2	<ul style="list-style-type: none"> Risks related to the SPPRB are identified in the integrated business planning submission for the Branch and indirectly addresses the risks for the integrated business planning activities within SPD.
Control			
3.1	There are tools and mechanisms in place to ensure that the integrated business planning processes are complete and up-to-date and that integrated business planning products are well supported, well understood and utilized.	1	<ul style="list-style-type: none"> Tools and training sessions have been provided to Sectors, branches and direct reports to support integrated business planning. SPD provides a comprehensive template for the submission of integrated business planning information.
3.2	Processes and structures are in place to measure, assess and address integrated business planning performance against clear objectives.	2	<ul style="list-style-type: none"> The working group would like to have a better monitoring of integrated business planning activities and calendar.

Appendix B – Management Action Plan

Management Action Plan		Integrated Business Planning Audit	
Recommendations	Management Assessment and Actions	Who	Target Date
Governance: Measureable business objectives and results for integrated business planning.			
<p>Recommendation 1.1: Director, SPD should prepare and communicate a formal statement of the mandate, strategic direction and measurable results for integrated business planning.</p>	<p>Agreed. Director, SPD will prepare and communicate a statement that formally establishes the mandate, strategic direction and expected results of integrated business planning at PCH.</p>	<p>Director, SPD Endorsement by IPPMEC Approval by EXCOM</p>	<p>August 2015</p>
<p>Recommendation 1.2: Director, SPD should assess and report on the need for, and identify the components and benefits of, a comprehensive departmental integrated business plan.</p>	<p>Agreed. Director, SPD will conduct an assessment that takes into account PCH and government-wide MAF 2014-2015 results. The Directorate will also consult with a sample of both departments with integrated business plans and those without, as well as with the planning community in PCH. Director, SPD will report to EXCOM on the findings of the assessment including recommendations for improvements to PCH's approach.</p>	<p>Director, SPD Endorsement by IPPMEC Approval by EXCOM</p>	<p>October 2015</p>
<p>Recommendation 2: Director, SPD should formalize and document the quality assurance approach for integrated business planning in SPD.</p>	<p>Agreed. Director, SPD will review and document existing undocumented quality assurance approach thereby formalizing that practice for integrated business planning in the Directorate.</p>	<p>Director, SPD</p>	<p>September 2015</p>