Final Audit Report

Audit of Values and Ethics

June 2013

Canada

Table of Contents

Executive summary

In April 2012, the Treasury Board of Canada launched the updated *Values and Ethics Code for the Public Sector* concurrently with the *Policy on Conflict of Interest and Post-Employment*. These documents conveyed the five new public sector values and administration of conflict of interest, as well as clarifying the duties, obligations and responsibilities of federal public servants, the deputy heads and the ministers. In implementing these two government-wide initiatives, the Public Health Agency of Canada (the "Agency" or PHAC) introduced the PHAC *Values and Ethics Code* as part of their efforts to strengthen its ethical culture and to guide and support employees in their daily work.

The objective of this audit was to assess whether there is an effective management control framework in place to support values and ethics at the Agency. The scope of the audit focused on the governance, risk management and internal controls in place with respect to values and ethics at the Agency during fiscal year 2012-13. More specifically, the audit focused on how the Agency has implemented the *Values and Ethics Code for the Public Sector.* The audit did not examine the activities related to public health and research ethics. In the professional judgment of the Chief Audit Executive, sufficient and appropriate procedures were performed and evidence gathered to support the accuracy of the audit conclusion.

The Agency has several fundamental elements in place which are expected in an effective management control framework to support values and ethics. However, in the harmonization of the values and ethics program administration, management and service delivery under a portfolio approach in 2012-13, some areas for improvement were noted.

There is an appropriate governance structure in place to support values and ethics at the Agency. The Agency would benefit from establishing a conflict of interest review process to ensure that all cases are analyzed by Labour Relations in consultation with employee/management, Treasury Board, Legal Services and other stakeholders as required.

Leadership is demonstrated through the development and implementation of the PHAC *Values and Ethics Code*, as well as the visible presence of the Values and Ethics Champion, who continues to play a supportive and committed role in promoting values and ethics initiatives at the Agency. Currently, the Human Resources Services Directorate (HRSD) is in the process of developing a three-year strategic plan to articulate the portfolio vision for its values and ethics program design and service delivery that will also lead to the preparation of a corresponding values and ethics multi-year operational plan.

Although ethical risks were not covered in the formal risk management process, the Agency was able to identify some potential risk areas with respect to values and ethics through the 2011 Public Service Employee Survey results. The Agency was also able to identify some potential risk areas with respect to possible conflict of interest situations through the analysis of confidential reports. HRSD plans to introduce a more systematic risk management process to be incorporated within its strategic and operational planning processes for fiscal year 2013-14.

In addition to the PHAC *Values and Ethics Code* launched in April 2012 and the PHAC *Directive on Conflict of Interest and Post-Employment Measures*, updated resources and new training courses on values and ethics were developed to support Agency employees.

The audit noted that monitoring and reporting to senior management on values and ethics can be strengthened. Furthermore, the Agency should have a performance management strategy or key performance measures that tie values and ethics processes and activities with expected results.

Management agrees with the three recommendations and provided an action plan to strengthen the management control framework to support values and ethics at the Agency.

A -   Introduction

1.   Background

On April 2, 2012, the Treasury Board of Canada (TB) launched the updated *Values and Ethics Code for the Public Sector* (the Code), as well as the *Policy on Conflict of Interest and Post-Employment*. Correspondingly, the Public Health Agency of Canada (the Agency or PHAC) introduced the new PHAC *Values and Ethics Code* as part of their efforts to strengthen its ethical culture and to guide and support employees in their daily work. The Agency updated its core values to be aligned with the new TB policy. The five new values are respect for democracy, respect for people, integrity, stewardship and excellence. Prior to April 2, 2012, the Agency's values were leadership, healthy work environment, ethical behaviour, commitment to excellence and dedication to service.

The Code serves as an integral part of the terms and conditions of employment by outlining the values and expected behaviours that guide public servants at the Agency in all activities related to their professional duties. By committing to these values and adhering to the expected behaviours, public servants will strengthen the ethical culture of the Agency and contribute to public confidence in the integrity of all public institutions. In particular, public servants who are also managers are in a position of influence and authority that gives them a particular responsibility to exemplify and promote values of the public sector and to ensure compliance with laws, regulations, policies and standards of ethical conduct.

As per the Code, the Chief Public Health Officer (CPHO) and his delegates have specific responsibilities under the *Public Servants Disclosure Protection Act* that includes the establishment of a code of conduct for the Agency and fostering a positive culture of values and ethics. The organizational code of conduct allows public sector organizations to outline expected behaviours specific to their unique mandate and work environment, but must be consistent with the public sector code. They are also responsible for ensuring that employees are aware of their obligations under the Code and that employees can obtain appropriate advice within the Agency on ethical issues, including possible conflicts of interest. Furthermore, they ensure that the Code, the Agency's code of conduct and the internal disclosure procedures are implemented effectively at the Agency, regularly monitored and evaluated. Overall, they are to ensure the non-partisan provision of programs and services by the Agency.

Based on the TB *Policy on Conflict of Interest and Post-Employment*, public servants also have the responsibility to report and effectively manage real, apparent or potential conflict of interest situations when performing their duties and after employment. Disclosure of such situations is through the completion of a confidential report. Safeguards are established for the collection, use, monitoring and reporting of values and ethics information, including confidential reports, to be in accordance with the *Privacy Act* and the related TBS privacy directives. For example, de-identified or aggregate information is used when reporting on values and ethics, as well as conflict of interest, to governing bodies. The administrator for the related program works with the Department's Access to Information and Privacy Division to ensure that the relevant privacy requirements are being respected.

The responsibility for values and ethics program administration, management and service delivery resides within the Workplace Relations and Organizational Wellbeing Division. It is headed by the Director General, Human Resources Services Directorate (HRSD), who reports to the Assistant Deputy Minister, Corporate Services Branch. The Division is supported by a staff of four full-time equivalents to provide values and ethics services to both Health Canada and the Agency. The values and ethics framework is further supported by the Executive Committee, the Departmental Audit Committee, the Science, Policy and Management Committee, the Risk Management Committee, the Conflict of Interest Committee and the Values and Ethics Champion. An overview of the Values and Ethics Infrastructure for fiscal year 2012-13 is presented in Appendix C.

Since 2006, the Agency received support from Health Canada for the delivery of certain values and ethics services through their former Ethics and Internal Ombudsman Services. These services included workplace concerns and conflict resolution, awareness and learning support on values and ethics and preparation of an annual activity report for the Agency. In December 2011, Health Canada's Ethics and Internal Ombudsman Services were realigned and the role of the Organizational Ombudsman is now a stand-alone function reporting directly to Health Canada's Office of the Deputy Minister and both the Informal Conflict Management Office and values and ethics functions now report to HRSD.

The Agency has an external advisory body, the Public Health Ethics Consultative Group, that provides public health ethics advice to the CPHO and the Agency on questions related to Agency programs, research and services and issues of national significance to the practice of public health in Canada. The activities of this external advisory body were excluded from the scope of this audit.

As part of the business transformation agenda resulting from the federal Budget 2012, the Agency's Human Resources Directorate, formerly housed within the Emergency Management and Regulatory Affairs Branch, was consolidated within Health Canada's Corporate Services Branch as part of the Portfolio Shared Services Partnership. In June 2012, the Agency entered into a shared services partnership agreement with Health Canada to set out the framework for the delivery of corporate administrative services and certain other program functions. The physical transition of the Agency's values and ethics and conflict of interest programs occurred in August and October 2012 respectively. HRSD is currently working to harmonize their values and ethics and conflict of interest service areas of both organizations.

Through the TB 2012-13 Management Accountability Framework (MAF) assessment process for Area of Management 1 - Values and Ethics, the Agency was evaluated on its governance and leadership by demonstrating how the organization addresses risks and vulnerabilities related to its organization's ethical environment, the implementation of the TB *Values and Ethics Code for the Public Sector*, *Policy on Conflict of Interest and Post-Employment*, *Policy on Harassment Prevention and Resolution* and *Directive on the Harassment Complaint Process*, and the promotion and visible support of its values and ethics plan and program by its leaders. Further, the Agency was evaluated on its culture by demonstrating how the organization's values and ethics plan serves to identify attributes that sustain performance and/or achieve additional progress in developing a culture based on the public sector values, as well as maintain and/or

enhance the organization's performance. The Agency received an overall rating of "Acceptable" in the TB MAF assessment.

2.   Audit objective

The objective of the audit was to assess whether there is an effective management control framework in place at the Agency to support values and ethics.

3.   Audit scope

The audit focused on the values and ethics management control framework in place at the Agency comprising of governance, risk management and internal controls during fiscal year 2012-13. More specifically, the audit focused on how the Agency has implemented the Public Service *Values and Ethics Code.* The audit did not examine the activities related to public health and research ethics.

4.   Audit approach

The audit methodology included: a review of the values and ethics governance and management control framework, interviews, testing, examination of evidence supporting governance, risk management and internal control processes, inquiry and analysis.

The audit criteria, outlined in Appendix A, were developed using the Office of the Comptroller General Internal Audit Sector's *Audit Criteria Related to the Management Accountability Framework: A Tool for Internal Auditors,* the TB *Values and Ethics Code for the Public Sector* and *Policy on Conflict of Interest and Post-Employment.*

5.   Statement of conformance

In the professional judgment of the Chief Audit Executive, sufficient and appropriate procedures were performed and evidence gathered to support the accuracy of the audit conclusion. The audit findings and conclusion are based on a comparison of the conditions that existed as of the date of the audit, against established criteria that were agreed upon with management. Further, the evidence was gathered in accordance with the *Internal Auditing Standards for the Government of Canada* and the *International Standards for the Professional Practice of Internal Auditing.* The audit conforms to the *Internal Auditing Standards for the Government of Canada*, as supported by the results of the quality assurance and improvement program.

B - Findings, recommendations and management responses

1. Governance

1.1 Governance structure

Audit criterion: *The Agency has an appropriate governance structure in place to support values and ethics. Leadership is exemplified through the implementation and visible promotion of the Treasury Board Values and Ethics Code for the Public Sector and the Public Health Agency of Canada Values and Ethics Code.*

A values and ethics governance framework, supported by the organization's structure, is essential in achieving values and ethics objectives, plans and actions. Leaders are expected to provide clear direction, guidance and support on values and ethics to continually reinforce the importance of the public sector values at the Public Health Agency of Canada (the Agency or PHAC). Ultimately, the actions and attitudes of senior management visibly influence the ethical culture of an organization and the behaviour of its employees.

Leadership

Leadership in values and ethics has been demonstrated primarily through the development and implementation of the PHAC *Values and Ethics Code*, which was launched by the Chief Public Health Officer (CPHO) and Associate Deputy Minister on April 3, 2012. This is also a key obligation of chief executives of all public sector organizations as per the TB *Values and Ethics Code for the Public Sector*.

Prior to the launch, several communications occurred at the Agency to promote the forthcoming TB *Values and Ethics Code for the Public Sector* and PHAC *Values and Ethics Code*. Examples of their promotion were the CPHO's opening remarks at the Town Hall meeting in December 2011, and the Agency-wide communiqués from the Values and Ethics Champion soliciting feedback from employees through values and ethics dialogue workshops held from May 2011 to January 2012. The commitment to values and ethics leadership is further observed through the inclusion of specific objectives within executive performance management agreements conveying that they will support the Agency's leadership results by promoting a safe, healthy, respectful and inclusive work environment and that they and their staff will uphold the Agency's core values. Each executive is responsible for setting their planned activities to demonstrate the fulfillment of the values and ethics objective. The organization may benefit from the tracking of such information in establishing effective values and ethics practices or developing future Agency-wide initiatives.

Oversight

The governance framework to support values and ethics at the Agency is headed by the Executive Committee, which provides guidance, leadership and final decision-making on values and ethics related matters. Agenda items during the year comprised of discussions on the PHAC *Values and Ethics Code*, the Public Service Employee Survey (PSES) results and responding action plans and the conflict of interest function findings. In June 2012, the senior decision-making body with respect to matters covered under the Shared Services Partnership Agreement

is the Partnership Executive Committee (PEC), which is co-chaired by the CPHO and Deputy Minister of Health Canada. It is understood that the deputy heads may wish to consider partnership-related issues in their respective executive committees either before or after consideration by PEC. No values and ethics agenda items were noted for the PEC.

The Science, Policy and Management Committee, which replaced the Public Health and Policy Committee sunset in 2012-13, will continue to provide leadership in enhancing and improving policy and program development, and decision-making related to values and ethics. In particular, this governance body would review and recommend on values and ethics strategies, activities and action plans, and if required, consult with the Risk Management Oversight Committee on matters such as conflict of interest.

Two other governance bodies that provided oversight on values and ethics monitoring and reporting are the Values and Ethics Working Group (VEWG), which sunset in 2012-13, and the Conflict of Interest Committee (CIC). The VEWG's key accountabilities were to propose mechanisms that help employees align their behaviours and practices with public service values and ethics, encourage employee engagement in ethical discussions, and promote the Agency's values and ethics services.

The mandate of the CIC is to ensure ongoing compliance with the PHAC *Directive on Conflict of Interest and Post-Employment Measures* and that the Agency's programs and activities are assessed for significant risks where conflict of interest could arise and to ensure that, once identified, those risk areas Workplace Relations and Organizational Wellbeing
are prioritized and mitigation strategies developed to address them. More importantly, the CIC provides recommendations for actions required by the employee and management to redress potential, perceived or real conflict situations. The CIC reports to the CPHO any identified sensitive cases that may create risks or may have a negative impact on the reputation of the Agency. The Chair of this committee is the Director General of the Human Resources Services Directorate (HRSD). This governing body has not convened since December 2011 but is expected to resume its role and responsibilities in fall 2013.

The CPHO is also provided with independent advice from the Agency Departmental Audit Committee (DAC), regarding the effectiveness of risk management, control and governance processes. Specifically, the Agency DAC has the responsibility to review and provide advice on the Agency's systems and practices established by the CPHO to monitor compliance with laws, regulations, policies and standards of ethical conduct and to identify and deal with any legal or ethical violations. This may also include the procedures and feedback mechanisms established to monitor conformance with its code of conduct and ethics policies, as well as how its processes encourage and maintain high ethical standards.

The Agency has an external advisory body, the Public Health Ethics Consultative Group, that provides public health ethics advice to the CPHO and the Agency on questions related to Agency programs, research and services and issues of national significance to the practice of public health in Canada. The activities of this external advisory body were excluded from the scope of this audit.

Organization

The Values and Ethics Champion for the Agency is the Deputy CPHO. Although this role, including the related responsibilities, is not formally documented, the Values and Ethics Champion is expected to promote dialogue, sound judgment and leadership in order to empower all Agency employees to build a vibrant ethical culture in meaningful and sustainable ways.

The Workplace Relations and Organizational Wellbeing Division (WROWD) is responsible for the delivery of values and ethics services, which includes conflict of interest. This function is supported by a staff of four full-time equivalents to service both Health Canada and the Agency. Their key role is to act as the primary resource for values and ethics information and tools. They also provide guidance and redirection to other partners and stakeholders, develop and deliver training workshops, and process confidential reports to identify situations of real, apparent or potential conflict of interest. The WROWD reports to the Director General, HRSD, who reports to the Assistant Deputy Minister, Corporate Services Branch.

Interviews revealed that the regions consider values and ethics as a priority and that there were no specific concerns or perceived challenges with respect to values and ethics. In particular, some regions have taken on independent initiatives to further the Agency's values and ethics activities. Examples of regional initiatives undertaken were the establishment of a regional values and ethics committee, the conduct of employee mini-surveys and implementing values and ethics work objectives in performance management for non-executive managers.

Given that conflict of interest is an area of high risk due to its negative impact on the reputation of the organization and loss of public trust, the Agency would benefit from establishing a review process consisting of senior advisors in Labour Relations who would analyze conflict of interest declarations, consult with TB, Legal Services and other stakeholders as required, and recommend resolutions to the Agency's delegated authority on non-routine or possible high-profile cases of real, potential and/or apparent conflict of interest. This oversight approach would help to ensure that decisions taken to resolve complex conflict of interest situations are thoroughly analyzed and investigated.

Recommendation 1

It is recommended that the Assistant Deputy Minister, Corporate Services Branch develop, communicate and facilitate the implementation of a multi-tier conflict of interest review process consisting of multiple steps of analysis and approvals.

Management response

Management agrees with this recommendation.

The Labour Relations unit will establish a conflict of interest review process to thoroughly research and analyse conflict of interest submissions, including complex and/or high-profile cases of real, potential and/or apparent conflict of interest.

The Human Resource Services Directorate will disseminate a series of communiqués and tools to raise awareness regarding the *Values and Ethics Code* and conflict of interest obligations as public servants.

1.2   Strategic direction

Audit criterion: Management's strategic values and ethics direction and implementation plans are aimed at maintaining a business climate that is focused on continuously improving the Agency's transparency, accountability and ethical decision-making process.

Clear strategic direction and supporting plans for values and ethics enables an organization to understand its current ethical culture and to pursue a focused course of action to reach a targeted ethical culture that is in harmony with its code of conduct.

Some values and ethics elements were identified in Agency-wide strategic planning documents. The Agency *Reports on Plans and Priorities* for 2011-12 and 2012-13 referenced a few values and ethics initiatives that were planned or in progress. Another example of values and ethics planning is the Health Canada/PHAC *Values and Ethics Key Priorities Plan 2012-13* that includes the Values and Ethics Services' vision and mandate, and outlines five core strategies: supporting a strong ethical culture; building management support and engagement; organizational assessment; leveraging alliances; and governance and leadership.

In particular, the strategic elements of the Health Canada/PHAC *Values and Ethics Key Priorities Plan 2012-13* have been considered in the design and development of a strategic planning process. The three-year Health Canada/Agency values and ethics strategic plan currently under development since January 2013 will include a vision, mandate, strategic objectives, expected results, and implementation strategy comprised of key activities, responsibilities, timelines, potential risks and performance indicators. In addition, HRSD undertook a review of Health Canada's and the Agency's repertoire of policies, directives and guidelines for each human resource program or activity to identify potential issues and challenges related to integration. The completed analysis forms a basis for the preparation of an integrated Values and Ethics Services strategic implementation plan, including an integrated service delivery model.

As the Agency has not yet clearly articulated its values and ethics strategic direction nor has it developed an implementation plan, this situation could lead to a misalignment of planned and completed values and ethics projects as well as activities and may impede the achievement of management's long-term objectives.

Recommendation 2

> *It is recommended that the Assistant Deputy Minister, Corporate Services Branch develop, communicate and facilitate the implementation of a values and ethics strategic plan to include objectives, priorities, expected results and timelines.*

Management response

Management agrees with this recommendation.

Key priorities for 2013-14 have been identified in the Corporate Services Branch operational plan. A values and ethics strategic plan for 2013-16 will be developed with input from senior management and key stakeholders. This will guide development of operational plan priorities for the coming years. The values and ethics strategic plan and key priorities will be communicated to senior management.

1.3   Planning

Audit criterion: The Agency has in place operational objectives and plans aimed at promoting its values and demonstrating commitment to an ethical culture.

Effective operational planning for values and ethics service delivery enables an organization to achieve short and long term milestones on a priority basis in furthering their strategic goals and objectives.

The current multi-year operational plan published on the Agency's Intranet is the PHAC *Values and Ethics Framework and Action Plan 2009-2012* dated February 18, 2010, which has been approved by the Executive Committee. This document identifies sixteen projects, initiatives and activities, including the assignment of responsible stakeholders and estimated timelines. However, this list is not prioritized and does not have resources allocated to each priority. To date, the Agency has not updated this document.

On an interim basis, the Agency has implemented the Health Canada/PHAC *Values and Ethics Key Priorities Plan 2012-13* that contains broad activities and expected timelines but excludes planned conflict of interest deliverables. Alternatively, Health Canada prepared a Labour Relations *Prevention and Resolution of Harassment Key Priorities Plan for 2012-13* dated June 2012 that includes four conflict of interest operational priorities with corresponding business objectives, rationale, key activities/services and timelines. Some of these identified elements have been carried forward in the Labour Relations planned Health Canada/PHAC conflict of interest deliverables for 2013-14, which highlights work to be carried out in order to maintain compliance with the TB *Values and Ethics Code for the Public Sector* and increase awareness of conflict of interest. When considering that conflict of interest is a subset of values and ethics, it would be advantageous to incorporate the conflict of interest component within a singular risk-based multi-year operational plan for values and ethics.

A key initiative, the development of an Agency multi-year action plan to address the 2011 Public Service Employee Survey (PSES) results, was also not specified within the Health

Canada/PHAC *Values and Ethics Key Priorities Plan 2012-13*. The Agency *2012-14 Public Service Employee Survey Action Plan* has specific actions that focus on four key priority areas: governance; leadership; employee engagement; and harassment and discrimination. This is an overarching plan that supports branches in developing their specific PSES action plans. Following the finalization of the Agency *2012-14 Public Service Employee Survey Action Plan* in October 2012, all five branches have nearly completed or completed their PSES action plans to demonstrate their commitment to this important values and ethics related initiative.

An updated multi-year values and ethics operational plan would help the Agency to ensure that: planned projects, activities and actions are complete; that there is effective use of limited resources; and that new or changing organizational priorities are reflected and implemented in a timely manner.

Recommendation 3

> *It is recommended that the Assistant Deputy Minister, Corporate Services Branch develop, communicate and facilitate the implementation of a values and ethics operational plan to include:*
>
> - *objectives, activities, resources and timelines;*
>
> - *a risk management strategy to identify, assess, address and report on ethics-related strategic and operational risks;*
>
> - *a monitoring and reporting strategy, including conflict of interest, in relation to program deliverables; and*
>
> - *a performance measurement strategy and performance indicators to assess the achievement of expected outcomes and program effectiveness.*

Management response

Management agrees with this recommendation.

Values and Ethics priorities will continue to be integrated into Corporate Services Branch operational plan and be guided by the multi-year strategic plan. The operational plan includes objectives, specific activities, timelines and expected results.

Values and ethics will be integrated into the 2014-15 branch planning process for risks and the organizational Corporate Risk Profile.

Ongoing monitoring and reporting of values and ethics risks, issues, opportunities and areas of improvement will continue as part of the Corporate Services Branch operational plan and Management Accountability Framework instrument.

Performance indicators will be developed and will need to be assessed and integrated into the Corporate Services Branch operational plan.

2.   Risk management

2.1   *Management of ethical risks*

Audit criterion: Management identifies, assesses, mitigates and reports on ethics-related strategic and operational risks.

The Agency *Policy on Integrated Risk Management* dated June 2010 states that, "risk management involves systematically considering the potential effects of this uncertainty on objectives, and addressing key risks to objectives through appropriate decision-making and risk treatment actions." The identification, assessment and mitigation of ethical risks associated with the Agency would contribute to an ethical climate based on organizational values.

The Agency corporate risk profiles for 2011-12 and 2012-13 referenced two risk statements in which values and ethics elements were regarded as an opportunity for improvement or a proposed mitigating strategy. Under the "Management Capability and Excellence" risk area for 2011-12, the TB *Values and Ethics Code for the Public Sector*, the PHAC *Values and Ethics Framework and Action Plan 2009-12* and Agency champions were identified as controls currently in place to manage risk. While under the "Change Management" risk area for 2012-13, the PHAC *Values and Ethics Code* was highlighted as a new control with two risk mitigation strategies. These strategies were to finalize the Agency's strategic horizons document and actively communicate its objectives and values to all Agency staff to ensure a common understanding of its forward direction, to communicate the newly adopted Agency *2012-14 Public Service Employee Survey Action Plan* and to engage employees in the formulation of detailed strategies and actions to implement it.

Although ethical risks were not covered in the formal risk management process, the Agency was able to identify some potential risk areas with respect to values and ethics through the 2011 PSES results. The Agency was also able to identify some potential risk areas with respect to possible conflict of interest situations through the analysis of confidential reports. For example, the reoccurring risk areas identified through confidential reports included private consulting or independent practices, membership on boards of directors, education-related posts and sponsorships and third party travel benefits.

It is also important that risk management be included in the values and ethics strategic and operational planning and reporting activities at the Agency or it may lead to an inability for management to take appropriate actions to mitigate significant values and ethics risks. Related documents, such as the PHAC *Values and Ethics Framework and Action Plan 2009-2012* and Health Canada/PHAC *Values and Ethics Key Priorities Plan 2012-13*, make reference to at-risk areas, risk management and mitigation strategies but they do not always describe the specific components to substantiate that a risk-based methodology was applied in their development.

A draft Health Canada/PHAC *Values and Ethics Risks Classification* pertaining to the five public sector values was recently developed using the Health Canada *Risk Taxonomy*. Management has indicated that a consultation process will follow in finalizing this document to ensure adaptability with the Agency. In addition, there are plans to pilot a project to validate and implement the draft Health Canada/PHAC *Values and Ethics Risk Classification* as part of the

Audit of Values and Ethics
Final audit report
June 2013

values and ethics strategic and operational planning processes. A risk management strategy for the integration, assessment and ongoing monitoring of ethics-related strategic and operational risks would ensure its consistent consideration and appropriate redress (refer to Recommendation 3).

There is also an opportunity to leverage the Agency's participation on interdepartmental networks, such as the Values and Ethics Science-Based Departments and Agencies Working Group. This working group functions as a forum where members can share best practices, raise and discuss issues of mutual concern with a focus on how best to manage real, apparent or potential conflicts of interest situations. For example, a draft *Conflict of Interest Risk Assessment Tool for Collaborative Arrangements* dated January 2012 was developed by this working group to help managers identify and mitigate the related risks associated with collaborative agreements.

3.   Internal controls

3.1   Policies and procedures

Audit criterion: The Agency clearly defines and implements its code of conduct, policy, directive, guideline and/or processes to support values and ethics.

Values and ethics standards, policies and procedures should provide clear direction to personnel. The Agency has a mission, vision and the five public sector values, as well as the new PHAC *Values and Ethics Code* to guide and support employees in their daily work.

In the development of the PHAC *Values and Ethics Code*, there was a thorough consultation process that included management and employees across the Agency. This process allowed the organization to design its code of conduct with additional guidance areas in the use of social media, serving on boards of directors, adjunct professorships and offers of third party travel benefits. This document was found to be aligned with the TB *Values and Ethics Code for the Public Sector*.

The Agency also has in place the PHAC *Directive on Conflict of Interest and Post-Employment Measures* to assist employees with their values and ethics responsibilities, which was approved by the Executive Committee in February 2010. Although updates to this directive are required to ensure consistency with the PHAC *Values and Ethics Code* and related government-wide standards and policies, this document still serves to establish rules of conduct and reporting with respect to conflicts of interest and to the prevention of potential situations of risk to the Agency.

Key values and ethics processes are in place but they are not formally documented. In particular, procedures for compliance-based activities such as the monitoring and reporting of values and ethics risks and issues need to be standardized.

In summary, the Agency has defined and implemented a code of conduct and directive on conflict of interest to support values and ethics. However, there is opportunity for further improvement in ensuring that key values and ethics processes and procedures are comprehensive, carried out in a systematic manner and articulated to the designated individuals in executing their roles and responsibilities with respect to values and ethics service delivery.

Audit of Values and Ethics
Final audit report
June 2013

3.2   Training and tools

Audit criterion: The Agency provides employees with the necessary training, tools, resources and information to foster compliance with the Public Health Agency of Canada Code of Values and Ethics and supports the discharge of responsibilities in the area of values and ethics.

A values and ethics framework is intended to provide employees with a foundation of information, resources and tools to assure their compliance with the code of conduct. At the onset of establishing employment with the Agency, employees are required to acknowledge their compliance with the code of conduct in their signed letters of offer. With the release of the TB *Values and Ethics Code for the Public Sector* and PHAC *Values and Ethics Code*, the related templates were recently updated to ensure that new hires were provided with current values and ethics tools to fulfill their responsibilities. In addition, a desktop "pop-up" mechanism for employees to confirm their ongoing acknowledgement of compliance to the code of conduct is anticipated to be launched before fiscal year-end.

Before departing the Agency, employees must also acknowledge and comply with their values and ethics responsibility with respect to post-employment measures. According to the PHAC *Directive on Conflict of Interest and Post-Employment Measures*, employees must disclose their intention of future employment and discuss potential conflicts with their manager, who will then consult with Labour Relations. The PHAC *Employee Departure form* implies that this activity is completed by human resources Compensation, as the check box entitled "post-employment measures discussed" is located under that section. It would be beneficial to update this document to specify that the employee's manager is responsible for informing employees of their conflict of interest post-employment requirements.

Other tools and resources are also available, mainly through the Agency's Intranet, which includes the PHAC *Directive on Conflict of Interest and Post-Employment Measures* and *Frequently Asked Questions* on conflict of interest. Newly developed integrated tools, such as the Health Canada/PHAC *Values and Ethics Manager's Toolkit* and the Health Canada/PHAC *Conflict of Interest Self-Assessment Tool*, are expected to be distributed Agency-wide in early fiscal year 2013-14. An area of improvement for the Agency is ensuring that disseminated values and ethics information, tools and resources are periodically reviewed and updated on a timely basis. A new Health Canada/PHAC integrated values and ethics services Intranet site is currently under development and planned for early fiscal year 2013-14.

The suite of values and ethics tools is complemented by three newly developed training courses aimed at the managerial and employee levels. They were designed to provide a deeper understanding of the PHAC *Values and Ethics Code*, in particular, the five new public sector values and potential conflict of interest areas. At the moment, these courses have not been promoted Agency-wide and are only delivered on a request basis. Orientation sessions are also offered to new employees and provide an overview of values and ethics at the Agency. HRSD has indicated that a training plan will be developed and included in their values and ethics operational plan to ensure that all employees are made aware of, and able to register for, available values and ethics training.

The Agency prepares an annual communication plan that is intended to promote awareness and convey senior management's commitment to values and ethics. Methods of communication may

include the Agency's Intranet, messages from the Values and Ethics Champion and Director General of human resources, *"Just the PHACs"* and Broadcast News. For 2012-13, three out of four key planned communications remain outstanding. Ensuring estimated timelines in the annual communication plan are respected will facilitate the distribution of values and ethics reminders and updates throughout the year.

Overall, the Agency provides employees with the necessary training, tools, resources and information to foster compliance with its code of conduct. Given that the PHAC *Values and Ethics Code* is available in electronic format, this important tool should be more visible for easier accessibility on the Agency's Intranet, for example, a link posted on the main page.

3.3   *Monitoring and reporting*

Audit criterion: The Agency establishes processes to adequately monitor, assess, resolve and report on values and ethics issues on a timely manner.

Monitoring and reporting are essential processes to identify issues or risk areas on a continuous basis for management attention and action, which may lead to a realignment of planned priorities. Foremost, formal channels must exist for employees to report potential breaches to the code of conduct and conflict of interest situations. The Agency has established a reporting network consisting of managers, the Labour Relations unit and the Internal Disclosure Office. These reports from employees may also be referred through Health Canada's Office of the Organizational Ombudsman, Informal Conflict Management Office, Values and Ethics Services or other human resources functional groups.

On an annual basis, the Agency's employees of higher risk groups are required to submit confidential reports, which self-disclose activities that may lead to real, potential or apparent conflict of interest situations. For fiscal year 2012-13, this campaign was not completed.

It is important that values and ethics intakes, inquiries and referrals from employees are logged and tracked in a recording system in order to monitor the timeliness of processing transactions and trend analysis. Prior to the realignment of Health Canada's Ethics and Ombudsman Services (EOS) in December 2011, the Agency was provided with regular activity reports to highlight the EOS services delivered to employees, as well as key information to assist the Agency with its ongoing monitoring of values and ethics. During this transition of values and ethics services from the EOS to the HRSD, the level of ongoing monitoring for values and ethics at the Agency declined as there was no tracking system to capture values and ethics intakes and files. As the conflict of interest function always resided within the HRSD, there was continuous monitoring of conflict of interest during fiscal year 2012-13. The conflict of interest tracking system was eventually adapted to capture values and ethics information commencing February 2013.

The Executive Committee and DAC were presented with updates of values and ethics activities for 2011-12 and 2012-13 but did not include key elements such as issues, risks and mitigating strategies. These key elements were included in the Conflict of Interest (COI) annual report however the audit found the last COI report produced was for fiscal year 2010-11. Reporting on values and ethics to senior management could be strengthened to ensure it is timely and more comprehensive. Improved monitoring and reporting would ensure that values and ethics priority

activities are completed, the values and ethics service delivery model is functioning properly or problem areas are identified before they become systemic (refer to Recommendation 3).

3.4   *Performance measurement*

Audit criterion: *The Agency sets critical success factors and identifies key performance indicators to evaluate its values and ethics culture and expected results.*

Performance measurement is the process of aligning resources, systems and employees to achieve strategic objectives and priorities in an effective manner.

The PHAC *Values and Ethics Framework and Action Plan 2009-2012* identifies some broad performance indicators and expected results. For example, staff members are engaged and practice the Agency's values and ethics at all levels of the Agency and the ethical environment is continually renewed and strengthened, but it is unclear how management will measure this performance or whether it is measurable. It is also important that developed performance indicators and expected outcomes are realistically achievable within a specified timeframe. The 2011 PSES results also enabled the Agency to review and assess some values and ethics elements of its ethical culture from an employee perspective that were addressed through a responsive action plan.

Although the Agency does not have a performance management strategy or key performance measures that tie values and ethics processes and activities with expected results at this time, HRSD has committed to developing performance indicators for values and ethics in their Health Canada/PHAC *Values and Ethics Key Priorities Plan 2012-13*. The tracking system, as previously mentioned in subsection 3.3 of this report, is expected to also capture information and metrics to assess values and ethics service delivery performance. The ability to gauge the values and ethics program's effectiveness will support the implementation of improvements (refer to Recommendation 3).

C -   Conclusion

The Public Health Agency of Canada (the Agency or PHAC) has several fundamental elements in place which are expected in an effective management control framework to support values and ethics.   However, in the harmonization of the values and ethics program administration, management and service delivery under a portfolio approach in 2012-13, some areas for improvement were noted.

There is an appropriate governance structure in place to support values and ethics at the Agency. The Agency would benefit from establishing a multi-tier conflict of interest review process to ensure that decisions taken to resolve conflict of interest situations are thoroughly analyzed and investigated.

Leadership is demonstrated through the development and implementation of the PHAC *Values and Ethics Code*, as well as the visible presence of the Values and Ethics Champion, who continues to play a supportive and committed role in promoting values and ethics initiatives at the Agency. Currently, the Human Resources Services Directorate (HRSD) is in the process of developing a three-year strategic plan to articulate the portfolio vision for its values and ethics program design and service delivery that will also lead to the preparation of a corresponding values and ethics multi-year operational plan.

Although ethical risks were not covered in the formal risk management process, the Agency was able to identify some potential risk areas with respect to values and ethics through the 2011 Public Service Employee Survey results. The Agency was also able to identify some potential risk areas with respect to possible conflict of interest situation through the analysis of confidential reports. HRSD plans to introduce a more systematic risk management process to be incorporated within its strategic and operational planning processes for fiscal year 2013-14.

In addition to the PHAC *Values and Ethics Code* launched in April 2012 and the PHAC *Directive on Conflict of Interest and Post-Employment Measures*, updated resources and new training courses on values and ethics were developed to support Agency employees.

The audit noted that monitoring and reporting to senior management on values and ethics can be strengthened. Furthermore, the Agency should have a performance management strategy or key performance measures that tie values and ethics processes and activities with expected results.

The areas of improvement that have been noted will collectively strengthen the management control framework to support values and ethics at the Agency.

Appendix A – Lines of enquiry and criteria

Audit of Values and Ethics	
Criteria Title	**Audit Criteria**
Line of Enquiry 1: *Governance*	
1.1 Governance structure[1, 2]	The Agency has an appropriate governance structure in place to support values and ethics. Leadership is exemplified through the implementation and visible promotion of the Treasury Board *Values and Ethics Code for the Public Sector* and Public Health Agency of Canada *Values and Ethics Code*.
1.2 Strategic direction[1]	Management's strategic values and ethics direction and implementation plans are aimed at maintaining a business climate that is focused on continuously improving the Agency's transparency, accountability and ethical decision-making process.
1.3 Planning[1]	The Agency has in place operational objectives and plans aimed at promoting its values and demonstrating commitment to an ethical culture.
Line of Enquiry 2: *Risk management*	
2.1 Management of ethical risks[1, 3]	Management identifies, assesses, mitigates and reports on ethics-related strategic and operational risks.
Line of Enquiry 3: *Internal controls*	
3.1 Policies and procedures[1, 2, 3]	The Agency clearly defines and implements its code of conduct, policy, directive, guideline and/or processes to support values and ethics.
3.2 Training and tools[1, 2, 3]	The Agency provides employees with the necessary training, tools, resources and information to foster compliance with the Public Health Agency of Canada *Code of Values and Ethics* and supports the discharge of responsibilities in the area of values and ethics.
3.3 Monitoring and reporting[1, 2, 3]	The Agency establishes processes to adequately monitor, assess, resolve and report on values and ethics issues on a timely manner.
3.4 Performance measurement[1]	The Agency sets critical success factors and identifies key performance indicators to evaluate its values and ethics culture and expected results.

Information sources:

[1] Office of the Comptroller General Internal Audit Sector's *Audit Criteria Related to the Management Accountability Framework: A Tool for Internal Auditors* (March 2011)
[2] Treasury Board (TB) *Values and Ethics Code for the Public Sector* (April 2012)
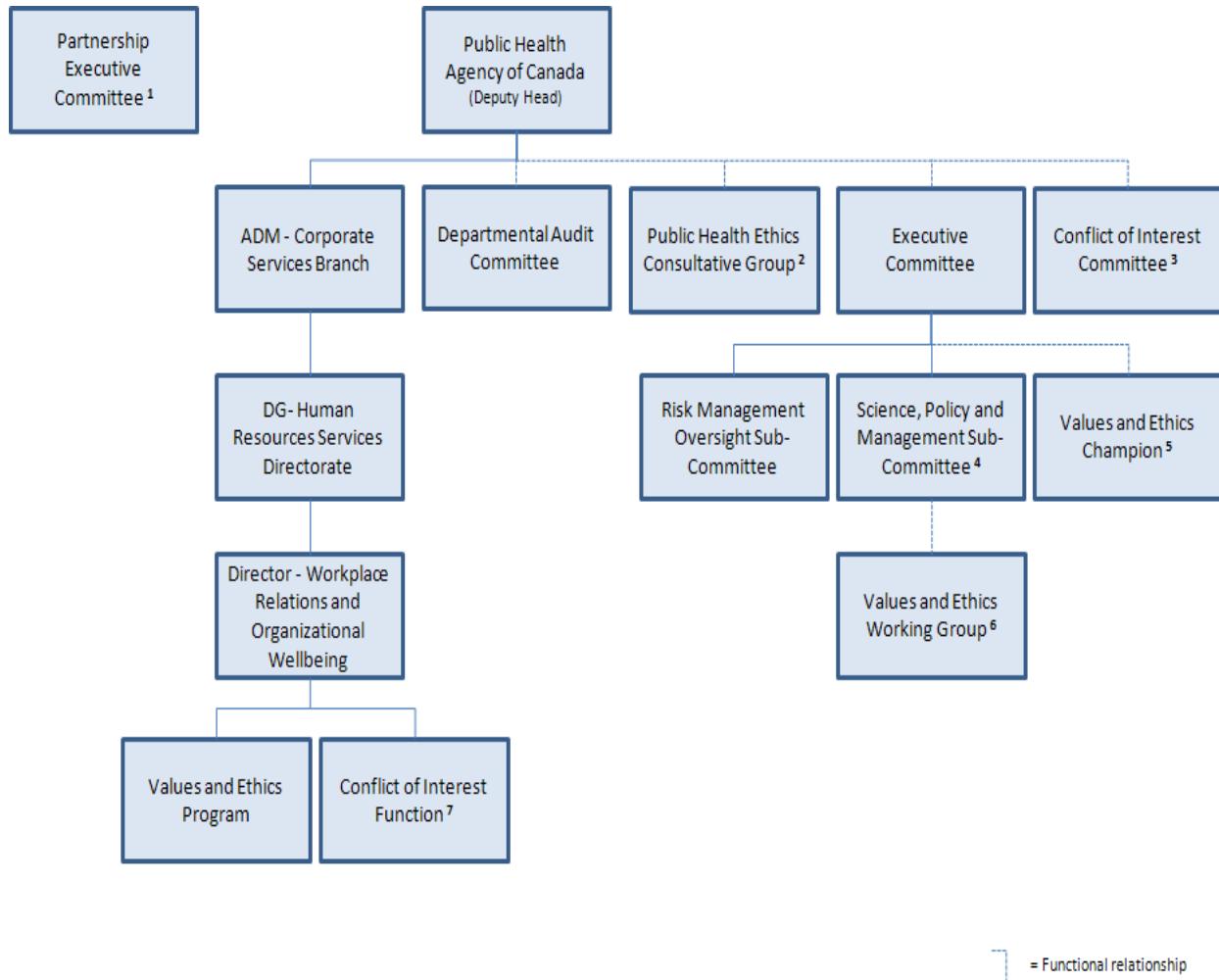[3] TB *Policy on Conflict of Interest and Post-Employment* (April 2012)

Appendix B – Scorecard

Criterion	Rating	Conclusion	Rec #
Governance			
1.1 Governance structure	**NMI**	There is an appropriate governance structure in place to support values and ethics at the Public Health Agency of Canada (the "Agency" or PHAC). The Agency would benefit from establishing a multi-tier conflict of interest review process to ensure that decisions taken to resolve conflict of interest situations are thoroughly analyzed and investigated. Leadership was demonstrated in the development and implementation of the PHAC *Values and Ethics Code*.	1
1.2 Strategic direction	**NMO**	A three-year Health Canada/PHAC values and ethics strategic plan currently under development since January 2013 will include a vision, mandate, strategic objectives, expected results, and implementation strategy comprised of key activities, responsibilities, timelines potential risks and performance indicators.	2
1.3 Planning	**NMO**	An updated multi-year values and ethics operational plan would help the Agency to ensure that: planned projects, activities and actions are complete; that there is effective use of limited resources; and that new or changing organizational priorities are reflected and implemented in a timely manner.	3
Risk management			
2.1 Management of ethical risks	**NMO**	Although ethical risks were not covered in the formal risk management process, the Agency was able to identify some potential risk areas with respect to values and ethics through the 2011 Public Service Employee Survey results. The Agency was also able to identify some potential risk areas with respect to possible conflict of interest situations through the analysis of confidential reports. Moreover, a draft Health Canada/PHAC *Values and Ethics Risks Classification* pertaining to the five public sector values was recently developed using the Health Canada *Risk Taxonomy*. HRSD plans to introduce a more systemic risk management process to be incorporated within its strategic and operational planning processes for fiscal year 2013-14.	Ref. 3
Internal controls			
3.1 Policies and procedures	**NMI**	The Agency has implemented its PHAC *Values and Ethics Code* that is aligned with the Treasury Board *Values and Ethics Code for the Public Sector*, as well as a PHAC *Directive on Conflict of Interest and Post-Employment Measures.* Key processes and procedures will be formally documented.	-
3.2 Training and tools	**S**	Values and ethics tools, resources and training are available to support employees with their responsibilities under the Agency's code of conduct.	-
3.3 Monitoring and reporting	**NMO**	HRSD plans to strengthen the monitoring and reporting to senior management on values and ethics.	Ref. 3
3.4 Performance measurement	**NMO**	HRSD plans to introduce performance indicators into the Corporate Services Branch Operational Plan.	Ref. 3

S	**NMI**	**NMO**	**NI**	**U**	**UKN**
Satisfactory	Needs Minor Improvement	Needs Moderate Improvement	Needs Improvement	Unsatisfactory	Unknown; Cannot Be Measured

Appendix C – Values and ethics infrastructure

Values and ethics infrastructure

[Organizational chart showing: Partnership Executive Committee[1]; Public Health Agency of Canada (Deputy Head); ADM - Corporate Services Branch; Departmental Audit Committee; Public Health Ethics Consultative Group[2]; Executive Committee; Conflict of Interest Committee[3]; DG - Human Resources Services Directorate; Risk Management Oversight Sub-Committee; Science, Policy and Management Sub-Committee[4]; Values and Ethics Champion[5]; Director - Workplace Relations and Organizational Wellbeing; Values and Ethics Working Group[6]; Values and Ethics Program; Conflict of Interest Function[7]]

= Functional relationship

[1] The Partnership Executive Committee is responsible for serving as a forum for information-sharing, transparent financial reporting, general consultation and decision-making on matters to do with effective management and oversight of the Partnership and the Agreement, as well as generally ensuring that both the Public Health Agency of Canada (the Agency) and Health Canada share the benefits of the new Shared Services Partnership.

[2] The Public Health Ethics Consultative Group is an external advisory body.

[3] The Conflict of Interest Committee for the Agency is chaired by the Director General, Human Resources Services Directorate, and reports directly to the Chief Public Health Officer. This Committee has not convened since December 2011 but is expected to resume its role and responsibilities in fall 2013.

[4] The Science, Policy and Management Sub-Committee for the Agency replaced its Public Health and Policy Committee, which sunset in August 2012.

[5] The Deputy Chief Public Health Officer is the Values and Ethics Champion for the Agency.

[6] The Values and Ethics Working Group for the Agency was sunset during 2012-13.

[7] The Conflict of Interest Function is managed and delivered by the Labour Relations – Corporate and Operations.