



Western Economic  
Diversification Canada

Diversification de l'économie  
de l'Ouest Canada

# **Audit of Integrated Human Resource Planning**

**WESTERN ECONOMIC DIVERSIFICATION CANADA**

**Audit, Evaluation & Disclosure Branch**

**February 2009**

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## 1.0 Executive Summary

- 1.1 The Human Resources Planning and Policy Framework was identified as an audit priority in the 2008-11 Risk Based Audit Plan, centered on the recognition of the importance of human capital in achieving goals.
- 1.2 The objective of the audit was to provide assurance on the adequacy, effectiveness and completeness of the human resources planning and policy framework for Western Economic Diversification Canada (WD).
- 1.3 The audit addressed the issues of recruitment, retention, learning and succession planning as it related to business planning.
- 1.4 The audit covered the 2007-08 planning cycle through to the current year planning cycle. The audit was conducted primarily through interviews with key planning personnel in headquarters and the regions. Documents were reviewed as part of the audit process including, but not limited to: WD integrated Corporate and Regional Business Plans, the Canada Public Service Agency Integrated Planning Guides, and the Report of the Expert Panel on Integrated Business and Human Resource Planning in the Federal Public Service.

## Findings

- 1.5 WD has made significant progress in human resource planning since WD developed its first Corporate Business Plan in 2007-08. Human resource planning has evolved from a stand-alone document developed in isolation of corporate priorities into the current integrated version.
- 1.6 In addition, WD has strengthened the linkages between the priorities of the Clerk of the Privy Council and those operational priorities at both the corporate and regional level and WD updates those linkages annually.
- 1.7 The department has made advances regarding succession planning, learning, employee orientation, communication of human resource policies to employees, and in the development of a mentoring program.
- 1.8 There were areas where WD can make improvements to strengthen the process, and those recommendations are outlined in this report.

## **2.0 Statement of Assurance**

- 2.1 In my professional judgement as Chief Audit Executive, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the opinion provided and contained in this report. The opinion is based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria that were agreed with management. The opinion is applicable only to the processes examined. The evidence was gathered in compliance with Treasury Board policy, directives, and standards on internal audit for the Government of Canada. The evidence has been gathered to be sufficient to provide senior management with the proof of the opinion derived from the internal audit.

## **3.0 Introduction**

### **Background**

- 3.1 Although human resource planning has existed in the Federal Public Service for a number of years, the full alignment of human capital needs with organizational goals and priorities is a relatively new concept.
- 3.2 As a means to coordinate human resources with current and future business needs in the Federal Public Service, departments including WD began integrating human resource planning with business planning.
- 3.3 In 2007-08, WD prepared its first Corporate Business Plan, which aligned with its Report on Plans and Priorities. Each WD region also prepared a regional business plan, and the corporate business units prepared individual business plans. Through integrated planning, human resource needs, both current and future, were aligned with WD's strategic direction and organizational priorities.

### **Objectives**

- 3.3 The objective of the audit was to provide assurance on the adequacy, effectiveness and completeness of the human resource planning and policy framework at WD.
- 3.4 The audit assessed the degree of integration of human resource planning with business planning at WD.

### **Scope and Methodology**

- 3.5 The processes examined included not only the human resource planning process, but also succession planning, business planning and the human resource policy framework as it related to human resource planning.
- 3.6 The audit involved the examination of documents including, but not limited to: WD integrated Corporate and Regional Business Plans, the Canada Public Service Agency Integrated Planning Guides, and the Report of the Expert Panel on Integrated Business and Human Resource Planning in the Federal Public Service. In addition, the auditors reviewed a number of integrated human resource plans from other federal government departments.

- 3.7 The auditors interviewed planning team members from all regions. In total, 19 WD employees involved in planning were interviewed along with appropriate personnel from the Canada Public Service Agency who were utilized in a consulting capacity.

## 4.0 Findings and Recommendations

*Criterion: Current and future human resource needs of the department are identified and integrated into the planning process. Human resource planning is aligned with strategic and business planning.*

- 4.1 The audit found that WD's first generation of integrated business and human resource plans were little more than a human resource plan attached to a corporate business plan. Over time, that evolved into a more integrated approach to planning giving consideration to human resource needs required to meet strategic objectives. WD's has recently developed templates for use in human resource planning to ensure consistency in human resource plans both in headquarters and in the regions. As experience is gained in this area, the planning is becoming more and more integrated and moving towards a more mature product.
- 4.2 The seriousness and commitment given to the planning process and the evolution that has occurred in the short time that human resource plans have been prepared is evidence of the quality of the planning function in the department. Much is being learned as the process evolves, but the planning community across the department shows a serious commitment to moving the process along to maturity.
- 4.3 In reviewing the integrated human resource plans of other departments, the auditors noted that many departments have three-year human resource plans, which are updated annually to reflect current priorities. Consideration could be given to the benefit of looking farther out beyond one year especially where human resource strategies of a more long-term nature may be appropriate.
- 4.4 When accessing and addressing gaps in human resources, consideration should be given to risks. In that way, those areas of highest priority can be identified for earliest action given limited resources.
- 4.5 Reporting on progress towards achievement of human resource plans has evolved, but can still be further refined. The department has not yet developed a standard template for reporting nor has it standardized reporting frequency. Although most regions do file a mid-year progress report, not all are doing that and reporting on progress varies from none to monthly reporting depending on the region.
- 4.6 Although human resource planning is not new, full integration with business planning is relatively new. As a result, there is an evolution that is taking place in implementing new concepts. As with many new ideas, there is a learning curve and a time lag between inception and realization of the full benefits.

4.7 By WD not fully monitoring progress on human resource plans against business objectives, the plans become an attachment to the business plan that is really just a stand-alone document. WD has not yet evolved its integrated planning to its greatest usefulness and potential. The results of the plan fail to inform the next year plan, and the usefulness of the plan in decision-making is limited. The lack of consideration to progress reporting requirements underlines the fact that the usefulness of the process is not being maximized. Formalization of planning and reporting processes so that each region is following the same format would allow for easy roll up and enhance usefulness.

**Recommendation #1:** WD should consider developing a multi-year integrated business and human resource plan for the department that is adjusted annually to reflect the priorities of the current year.

**Recommendation #2:** WD should consider risk-ranking human resource gaps as a means of setting priorities given limited resources and to maximize results.

**Recommendation #3:** WD should formalize and standardize the performance reporting process on human resource plans in order that the results can inform subsequent plans or drive mid-year course corrections where warranted.

*Criterion: The current priorities of the Clerk of the Privy Council (planning, recruitment, development, and enabling infrastructure) are being considered in developing HR business plans. In addition, consideration is given to the Speech from the Throne and WD priorities.*

4.8 In developing a departmental HR plan, WD has given consideration to the priorities of the department and the priorities of the Clerk of the Privy Council. WD develops an annual Public Service Renewal action plan.

*Criterion: In developing a HR plan, an analysis of the workforce is undertaken thereby identifying gaps between future needs and current capabilities.*

4.9 Demographics, budgets, and gaps in human resources were a factor in determining future human resource needs. In most cases, but not always, managers identified strategies to address those gaps. For example, one of the 2008-09 Corporate Human Resource Plan's priorities involved staffing an Aboriginal executive. The plan failed to develop a conscious strategy to achieve this goal.

4.10 With limited resources, it may be beneficial to risk rank the gaps in an effort to prioritize actions to those most pressing. In one integrated human resource plan reviewed from another department, gaps were identified based on an environmental scan completed. The risks to those gaps were identified along with the impacts from those risks. This information was then used in developing an action plan outlining strategies, milestones,

and completion dates. Performance indicators were attached to gaps and target completion dates noted.

**Recommendation #4:** When management establishes targets in their human resource plan, management should ensure that strategies are established to achieve those targets.

*Criterion: Suitable policies and procedures to support the development and management of human resources are established, maintained, and communicated.*

- 4.11 The Prime Minister announced the new HR governance model for the Federal Public Service in February 2009. That model re-emphasized Deputy Ministers' authority for human resource management in their departments. In exercising that authority, departments are expected to have human resource policies that are relevant to its business needs in the context of risk. Central agencies are currently in the midst of policy renewal whereby examination of existing government-wide policies will lead to a more streamlined suite of applicable policies.
- 4.12 In the interim, central agencies expect departments to have a relevant policy framework in place responding to its particular needs.
- 4.13 The audit found that locating human resource policies on WD's intranet was somewhat difficult and cumbersome. WD should update the intranet to ensure easy access and completeness of relevant human resource policies as a priority. In addition, policies should be well communicated to employees, be monitored to ensure compliance, and updated as warranted to reflect changing conditions.

**Recommendation #5:** WD should review its existing human resource policies to ensure completeness and relevance to the department's current context; ensure widespread communication and understanding of human resource policies; regularly monitor compliance to human resource policies; and update human resources policies on an ongoing basis.

*Criterion: An adequate succession plan is in place.*

- 4.14 The auditors noted that Manitoba region was a leader for succession planning in the department. The region had identified key positions and created profiles and related competencies for those positions. The region solicited interest from employees in these key positions identified gaps in the required competencies. Based on the gaps identified, managers developed learning plans to assist employees in reaching their goals. WD has expanded the succession planning exercise to other regions and expanded some succession planning to include more positions.

4.15 In addition to succession planning, the auditors found that WD had put many of its integrated human resource plans into action. This served as evidence that planning is not just an exercise, but is being approached with the attitude that it can contribute to improvements in the department. Examples of planning put into action included:

- A Corporate Orientation Program was developed and communicated to employees in 2008;
- Consultations were held with management on learning needs in the department, and a learning strategy was developed;
- A mentoring program was noted to be in the early stages of development in the department;
- A project was undertaken with an educational institution to improve linkages between universities and government; and
- WD announced participation in the iLeadership program, an accelerated leadership program for future managers.

In summary, it was evident from the examination done, that WD has taken actions to plan for future human resource needs that should help the department achieve its goals and objectives.

## 5.0 Overall Conclusions

- 5.1 As planning evolves in WD and human resource planning becomes more integrated with business planning, the usefulness of the planning process will increase. Reporting on performance will serve to educate future plans and highlight areas requiring attention. Periodic reporting will allow course corrections on a timely basis where warranted. Human resource planning should be a function at all levels of the organization, and those individual unit plans and regional plans should all be congruent with the overall corporate plan. Every employee in WD should be able to see how their contribution impacts the overall plan and how they contribute to the success of the department. The key to integrated human resource planning in the department going forward is to keep the process uncomplicated, and in so doing, increasing its usefulness.
- 5.2 The audit examined several audit criteria used to assess risks and the management framework in place. The following are the results of the assessment made:

Audit criteria	Assessed criteria results
a. Human resource planning is aligned with strategic and business planning.	Criteria mostly met
b. The current priorities of the Clerk of the Privy Council, the Speech from the Throne and the department are being considered in developing HR business plans.	Criteria met
c. In developing a HR plan, an analysis of the workforce is undertaken thereby identifying gaps between future needs and current capabilities.	Criteria met
d. Suitable policies and procedures to support the development and management of human resources are established, maintained and communicated.	Criteria partially met
e. An adequate succession plan is in place.	Criteria mostly met