



Statistics  
Canada

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Canada

## **Audit Report**

# **Audit of OCG Horizontal Internal Audit of Compliance with the Common Services Policy**

**June 9, 2011**

**Project Number: 80590-107**

**Canada** 

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## Executive Summary

The Office of the Comptroller General (OCG) conducts horizontal audits in Large Departments and Agencies (LDAs) under the authority of the *Policy on Internal Audit*. The audit of the *Common Services Policy* in LDAs is included in the *Three-Year Risk-Based Horizontal Internal Audit Plan for Large Departments and Agencies 2010-11 to 2012-13* approved by the Secretary of the Treasury Board and the Comptroller General in April 2010.

Statistics Canada is an optional Common Services Organization (CSO) and is one of five CSOs selected for this audit. The selection was based on a representative cross-section of mandatory and optional CSOs; materiality; previous audit coverage in this area; and potential for providing best practices.

The objective of the audit was to determine if CSOs and the Treasury Board Secretariat (TBS) are complying with the requirements of the *Common Services Policy*.

The *Common Services Policy* sets a direction and provides authority to reform administrative management to create a more streamlined, efficient, and responsive public service. The objective of the policy is to ensure that departments and agencies can acquire responsive and cost-effective support for their program delivery.

The OCG was responsible for the planning and reporting phases of the audit. Internal Audit Services (IAS) at Statistics Canada was responsible for conducting the examination phase of the audit. This audit report strictly highlights the results of the audit for Statistics Canada.

## Key Findings

The audit found that operating objectives and priorities exist for all programs and these are reviewed to assess the services being offered. Statistics Canada has Treasury Board authority for prescribing and applying fees or charges in accordance with *TBS Guide to the Costing of Outputs in the Government of Canada*. Optional services are funded by full cost-recovery through Statistics Canada's net-voting authority, and services to Crown Corporations and Non-Federal Departments are provided within the scope of Statistics Canada's mandate. No cross subsidization between optional services and on-going programs exists. The programs have an environment that is responsive to client needs and have established an appeal and redress mechanism to deal with disputes or issues that may arise. Program managers have relevant and transparent information for making decisions about the future of their services. For large projects, the Letter of Agreement (LOA) include the specific outputs and deliverables (i.e. costing related to the level of effort required), but for small projects, the LOA do not address the standards of Professionalism of staff and Client orientation.

## Overall Conclusion

The audit highlighted that Statistics Canada is compliant with the requirements of the *Common Services Policy*.

The audit found that of the sixteen audit criteria that were examined, Statistics Canada met all but one of them. An opportunity for improvement exists with the LOA for small projects which do not address the standards of Professionalism of staff and Client orientation.

## Conformance with Professional Standards

The conduct of this engagement conforms to Government of Canada Internal Auditing Standards, which incorporate the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing.<sup>1</sup>

Patrice Prud'homme Chief Audit Executive Internal Audit Services, Statistics Canada
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<sup>1</sup> IAS at Statistics Canada completed an internal assessment of its audit activity in 2010-2011 to confirm its conformance with these standards. An external assessment is scheduled to follow this year in 2011-2012.

## Introduction

### Background

The Office of the Comptroller General (OCG) conducts horizontal audits in Large Departments and Agencies (LDAs) under the authority of the *Policy on Internal Audit*. The audit of the *Common Services Policy* in LDAs is included in the *Three-Year Risk-Based Horizontal Internal Audit Plan for Large Departments and Agencies 2010-11 to 2012-13* approved by the Secretary of the Treasury Board and the Comptroller General in April 2010. Statistics Canada is an optional CSO and is one of the five CSOs selected for this audit.

Common services within the government of Canada are designed to take advantage of government-wide opportunities; including advantages obtained from economies of scale, the benefits of pooling specialized expertise, developing a single window for procurement, taking advantage of government-wide repositories of information and other government objectives.

Common services are either optional or mandatory. Mandatory services are designated when a government-wide interest or consideration prevails over, or coincides with, the interests of individual departments and agencies. Mandatory services are mandated either in legislation or in policy and are required to be used by departments. Optional services on the other hand are used by departments only when it makes sense to do so and are based on the dual principles of user choice and user pay.

One of the main principles of the *Common Services Policy* is to make optional as many common services as possible, maintaining mandatory services only when there is an overriding reason. This principle ensures that CSOs, who operate optional services on a cost recovery basis, focus on customer service, providing quality goods and services on time, and pricing services competitively. In addition, this principle ensures that line departments, who are accountable for their costs, have greater flexibility and control which helps to promote fiscal responsibility in carrying out their mission of service to the public.

The *Common Services Policy* outlines the policy and accountability requirements that govern and control common services within the Government of Canada. The policy requirements are designed to ensure that CSOs offer services to client departments that are supportive of timely, effective and economical delivery of programs to the public.

### Audit Objective

The objective of the audit was to determine if CSOs and the TBS are complying with the requirements of the *Common Services Policy*.

Four specific lines of enquiry on Governance and Business Planning, Costing Information, Processes for ensuring quality services and Performance management process assessed the extent to which the requirements of the *Common Services Policy* enabled or hindered departments in the delivery of common services and in supporting policy objectives. Statistics Canada was subject to examination for sixteen audit criteria.

## Scope

The OCG was responsible for the planning and reporting phases of the audit. Internal Audit Services (IAS) at Statistics Canada was responsible for conducting the examination phase of the audit. However, IAS is the author of this audit report, which is reflective of the results of the audit procedures carried out specifically for Statistics Canada.

Four divisions from the Business and Trade Statistics field and four from the Social, Health and Labour Statistics field were selected for examination based on materiality. These two fields combined represent approximately 74% (\$76.3M) of Statistics Canada's cost-recovery income for 2009-10. Operational Planning and Programming Division (OPPD), and the Finance, Planning and Evaluation Branch provided input related to the agency's costs management and rates setting.

The divisions selected from the Business and Trade Statistics field are: Business Special Surveys and Technology Statistics, Agriculture, Manufacturing & Energy, and International Trade.

The divisions selected from Health and Labour Statistics field are: Special Surveys, Labour Statistics, Physical Health Measures, and Tourism and Centre for Education Statistics.

## Approach

The audit engagement was conducted in conformity with the Government of Canada and the Institute of Internal Auditors (IIA) standards on internal auditing and the Treasury Board of Canada *Policy on Internal Audit*. All work was conducted in collaboration with key senior managers and staff.

## Authority

The Office of the Comptroller General (OCG) conducts horizontal audits in Large Departments and Agencies under the authority of the *Policy on Internal Audit*.

## Findings, Recommendations and Management Responses

Four specific lines of enquiry on Governance and Business Planning, Costing Information, Processes for ensuring quality services and Performance management process assessed the extent to which the requirements of the *Common Services Policy* enabled or hindered departments in the delivery of common services and in supporting policy objectives.

With respect to Governance and Business Planning, the audit found that operating objectives and priorities exist for all programs. Objectives are reviewed for continuance relevance, and external and internal environments are monitored to assess the services being offered. As an optional service provider, Statistics Canada provides services to Crown Corporations and Non-Federal Departments within the scope of its approved mandate and these services do not interfere with their role of providing services to federal departments.

With regards to Costing information, the audit found that Statistics Canada has Treasury Board authority for prescribing and applying fees or charges in accordance with TBS *Guide to the Costing of Outputs in the Government of Canada*. Optional services are funded by full cost-recovery through Statistics Canada's net-voting authority, and services to Crown Corporations and Non-Federal Departments are provided within the scope of Statistics Canada's mandate. Standard service rates are established by OPPD and reviewed and approved annually by the Policy Committee. Salary rates for every group and level are revised every year and signed off by the Chief Financial Officer (CFO). The audit found that there is no cross subsidization between optional services and on-going programs.

With respect to Statistics Canada's Processes for ensuring quality services; Statistics Canada has the delegated authority to provide services under the *Statistics Act*. While no other department offers these services, Statistics Canada has developed its capacity, expertise and experience to deliver Statistical services. The programs have an environment that is responsive to client needs and have established an appeal and redress mechanism to deal with disputes or issues that may arise.

Lastly, on Performance management process, the audit found that Statistics Canada has a set of Quality Guidelines that is inherent in all of the work that it does, according to the *Policy on Dissemination, Marketing and Communication Services*. Program managers have relevant and transparent performance information for making decisions about the future of their services. The audit found that for large projects, the Letters of Agreement (LOA) include the specific outputs and deliverables (i.e. costing related to the level of effort required) but for small projects, the LOA do not address the standards of Professionalism of staff (i.e. qualifications, product knowledge, etc) and Client orientation (i.e. courtesy of staff, choice representation, compliant and redress).

All recommendations and management response and action plans that follow in the sections below should be considered within the existing Statistics Canada's management structure.

## Governance and Business Planning

Statistics Canada, as an optional service provider, is operating within the scope of its approved mandate. Operational plans and objectives exist and are reviewed for continuance relevance, and external and internal environments are monitored to assess the services being offered.

### *Compliance to Policy or Legislation*

CSOs are required to offer services within the scope of their approved mandate. As well, TBS approval for the rates to be charged to client departments for optional services must be obtained.

The audit found that as of 1985, the Minister responsible for Statistics Canada has had the Treasury Board authority for prescribing and applying fees or charges in accordance with TBS *Guide to the Costing of Outputs in the Government of Canada*. Optional services are funded by full cost-recovery through Statistics Canada's net-voting authority, and services to Crown Corporations and Non-Federal Departments are provided within the scope of Statistics Canada's mandate. Full cost-recovery is implemented, using Statistics Canada's standard service rates established by the Finance Department and reviewed annually.

### *Plans and Objectives*

CSOs are required to have in place operational plans and objectives to achieve their strategic objectives.

The audit found that the divisions at Statistics Canada have operational plans and objectives aimed at achieving their strategic objectives, including operating objectives and priorities for all key activities. Objectives are reviewed in the divisions' respective Program Performance Reports (PPR) for continued relevance, following Statistics Canada's structure.

At the departmental level, Statistics Canada produces, on an annual basis, the Report on Plan and Priorities (RPP) which provides a complete description of the agency's established priorities for the upcoming fiscal year and of the plans developed to achieve a positive outcome. Statistics Canada also produces, annually, the Departmental Performance Report (DPR), a report card of the agency's self-assessment of its performance which is measured against concrete targets and benchmarks related to the priorities established in the RPP.

The divisions at Statistics Canada keep abreast of their external environment through regular meetings with client departments to discuss new and emerging priorities, issues and concerns, as well as through participation on a number of working groups. These priorities are highlighted in the divisions' Program Performance Reports (PPR).



## Costing

Statistics Canada has Treasury Board authority for prescribing and applying fees in accordance with *TBS Guide to the Costing of Outputs in the Government of Canada*. Full cost-recovery is implemented, using Statistics Canada's standard service rates established by the OPPD and reviewed and approved annually by Statistics Canada's Policy Committee.

### *Rate setting and cost management*

Optional services are based on the dual principles of user choice and user pay. CSOs are responsible for setting rates and managing costs in compliance with the provision of the *Common Services Policy*.

The audit found that Statistics Canada charges for services as per the *Common Services Policy* and its costing policy is aligned with the principles and practices of *TBS Guide to the Costing of Outputs in the Government of Canada*. Statistical services are requested and funded by clients for their own direct benefit and are not part of on-going programs.

Optional services to departments cover developing statistical information through surveys or the use of administrative records, including design, organization, statistical evaluation, interpretation, analysis and dissemination.

Fee setting for statistical services is based on client requirements and is determined using an established corporate methodology for Statistics Canada's full cost-recovery. The fee setting process for services is based on direct negotiations with clients; it is equivalent to an individual service contract.

Costing exercises involve all interested parties such as the client, program manager, supplying divisions and the Finance department. Statistics Canada has standard statistical survey costing processes for program managers when developing cost estimates for services. Written documentation and flow charts on the processes are available on the Finance, Planning and Evaluation branch's intranet site and roles and responsibilities are clearly defined within the organization to provide managers with expert advice and support. Also to assist program managers, the Budget and Revenue Management System (BRMS) is a mandatory integrated financial system used to cost services. This application contains all the costing rates, methodology and formulas for Statistics Canada full-cost recovery. Standard service rates are established by OPPD and reviewed and approved annually by the Policy Committee. Salary rates for every group and level are revised every year and signed off by the CFO.

Every program in the department is given a Program Element Code. Corporate financial reviews are done monthly on on-going programs and cost-recovery programs to monitor performance and ensure there is no cross-subsidization. The audit found that there is no cross subsidization between optional services and on-going programs.

## Quality Services

Statistics Canada has the delegated authority to provide services under the *Statistics Act*. While no other department offers these services, Statistics Canada has developed its capacity, expertise and experience to deliver Statistical services. The programs have a mandate that indicates that client service is one of their main goals. Issues that arise with client departments are taken to the DG Level Steering Committee consisting of Statistics Canada and key client departments for resolution.

### *Support of government wide objectives and goals*

CSOs are responsible for supporting the achievement of government-wide social, economic, and environmental objectives in acquiring or delivering goods and services.

Statistics Canada has the delegated authority to provide services under the *Statistics Act*. While no other department offers these services, Statistics Canada has developed its capacity, expertise and experience to deliver Statistical services.

Statistics Canada produces, on an annual basis, the RPP which provides a complete description of the agency's established priorities for the upcoming fiscal year and of the plans developed to achieve a positive outcome. Statistics Canada also produces, on an annual basis, the DPR which is a report card of the agency's self-assessment of its performance which is measured against concrete targets and benchmarks related to the priorities established in the RPP.

### *Quality systems and practices*

CSOs are responsible for providing quality goods and services; for establishing an environment that is responsive to client needs; and establishing an appeal and redress mechanism to deal with disputes or issues that may arise.

The audit found that at Statistics Canada, programs have a mandate that indicates that client service is one of their main goals. The goals and objectives of the divisions are highlighted in their respective biennial and quadrennial PPR.

Through regular client meetings, steering committees to monitor the progress of services provided, and client satisfaction measurement surveys, the divisions at Statistics Canada are responsible for providing quality goods and services that meet the requirements and specifications of client departments in a timely manner and establishing an environment oriented towards client service consistent with the *Common Service Policy*.

Issues that arise with client departments are taken to the Statistics Canada Director General (DG) Level Steering Committee, which includes the participation of key client departments for resolution. As a result, there has not been a need of an escalation process with a third party. Also, Statistics has an Accounts Receivable section in the Financial Management Operations and Systems Division (FMOSD) for non-payment issues.

## Performance Measurement

Program managers have relevant, timely, and reliable performance information for making decisions about the future of their services. However, LOA for small scale projects do not address the standards of Professionalism of staff and Client orientation.

### *Standards of service and performance targets*

CSOs are responsible for developing, in consultation with client departments and agencies, standards of service and performance that include availability and accessibility; service competence; professionalism of staff; client orientation and ease of administration.

The audit found that the details of the nature and quality of the deliverables are discussed with the client during the negotiation phase of the project. The specific outputs and deliverables (i.e. costing related to the level of effort required) are included in the LOA. Further, Statistics Canada has a set of Quality Guidelines that is inherent in all of the work that it does.

However, IAS noted that for small scale projects, the LOA do not address the standards of Professionalism of staff (i.e. qualifications, product knowledge, etc) and Client orientation (i.e. courtesy of staff, choice, representation, compliant and redress).

Performance targets in terms of expected response rates, service and/or product deliverables are detailed in the Letters of Agreements negotiated with the clients. Performance is monitored through regular client meetings and joint steering committees.

### *Monitoring*

CSOs have relevant, timely, and reliable information about the performance of their programs from which to make decisions about the future of their services.

The audit found that managers have access to information on cost performance, survey response rates, data quality indicators and information on survey timelines. Performance is monitored by regular financial reporting reviews which are generally done both on a monthly and quarterly basis. Business volumes, resource use, financial results are highlighted in the PPR at the divisional level and in Statistics Canada's DPR.

Performance information is provided to senior management through the divisions' respective PPR. There are regular Assistant Deputy Minister (ADM) - DG meetings with client departments through joint steering committees and regular group team meetings.

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## Recommendation No. 1:

*It is recommended that all Assistant Chief Statisticians ensure that:*

- *For all project, including small scale projects, Letters of Agreement address the standards of Professionalism of staff (i.e. qualifications, product knowledge, etc.) and Client orientation (i.e. courtesy of staff, choice, representation, complaint and redress).*

## Management Response

Management agrees with the recommendation.

Currently LOAs for large cost recovery contracts address all the elements of the standards of service and performance specified in TBS' *Common Services Policy, Appendix A-2*. Contracts for small scale cost recovery projects are missing the standards of Professionalism of staff and Client orientation.

In the future, all LOAs for all cost recovery projects will be amended to include the standards of service and performance specified in TBS' *Common Services Policy, Appendix A-2*.

### *Deliverable*

An amended LOA template for all cost recovery projects addressing the following standards of service and performance outlined in the TBS *Common Services Policy*:

- a. Availability and accessibility; (convenience to the user, response time)
- b. Service Competence; (quality, reliability, timeliness)
- c. Professionalism of Staff; (qualifications, product knowledge, service levels)
- d. Client Orientation; (courtesy of staff, choice, representation, complaint and redress) and
- e. Ease of Administration. (Minimum paper burden, reporting in a manner that meets the needs of client departments).

### *Accountability*

Director Operational Planning and Programming Division; Finance, Planning and Evaluation Branch, Corporate Services Field.

### *Timeline*

December 2011.

## Appendix

### Appendix A: Audit Criteria

Line of Enquiries	Criteria
<b>Governance and Business Planning</b>	CSOs have in place operational plans and objectives aimed at achieving their strategic objectives.
<b>Costing Information</b>	<p>CSOs are responsible for recommending to TB the rates to be charged to client departments for the use of optional services (unless rate setting authority has been delegated to the CSO).</p> <p>CSOs are accountable for estimating the full cost of providing optional services (and mandatory services not funded by appropriation) using the principles of the <i>Common Services Policy</i> and the TBS Guide to Costing.</p> <p>Optional services are funded mainly by full cost-recovery through a revolving fund or net-voting authority.</p> <p>CSOs are accountable for ensuring that there is no cross-subsidization between or among optional services.</p> <p>CSOs are accountable for ensuring that unless otherwise directed by the minister responsible, where optional services are funded by a revolving fund, rates charged to departments must be set to recover the full costs of the CSO, in order to break even at the level of the overall operation over a reasonable period of time, such as the planning period for the CSO. Rates for specific optional service however may be set at the market rate.</p>
<b>Quality Services</b>	<p>Treasury Board encourages CSOs to delegate authority to departments to meet their special needs.</p> <p>CSOs are responsible for supporting the achievement of government-wide social, economic, and environmental objectives in acquiring or delivering goods and services.</p> <p>CSOs involved in duplication and overlap of services as a result of past decisions should rationalize their services in these areas in a timely manner.</p> <p>CSOs are responsible for providing quality goods and services that meet the requirements and specifications of client departments in a timely manner, while exercising a high regard for prudence, probity, and value for money.</p> <p>CSOs are responsible for establishing an environment consistent</p>

	<p>with the policy. e.g. oriented toward client service, promoting choice and flexibility for departments, and adopting a way of operating that is cost-effective, business-like, and responsive to the needs of client departments.</p> <p>CSOs should establish an appeal and redress mechanism to deal with disputes or issues that arise when they are providing services to client departments</p>
<b>Performance Management</b>	<p>Developing in consultation with client departments and agencies, standards of service and performance for the delivery of mandatory services, including:</p> <ul style="list-style-type: none"> <li>a. Availability and Accessibility;</li> <li>b. Service Competence;</li> <li>c. Professionalism of Staff;</li> <li>d. Client Orientation; and</li> <li>e. Ease of Administration.</li> </ul> <p>CSOs have service level agreement performance elements including performance targets, performance measurement and reporting, tying performance to Performance Management Agreements (PMAs), performance monitoring regimes, performance evaluations, benchmarking, continuous improvement, and consequences.</p> <p>CSOs are accountable for monitoring business volumes, levels of performance, resource use, financial results and the implications of providing individual common services and reporting on these factors annually in part III of the Estimates or in annual reports.</p> <p>Managers of common services should ensure they have relevant, timely and reliable information about the performance of their programs.</p> <p>Performance information should be used to assure the quality and cost-effectiveness of service delivery to client departments, to improve policy and program decision making, and to demonstrate accountability for the efficient operation and results of the services offered, particularly to the responsible minister, the Treasury Board and Parliament.</p>