Introduction

A. Purpose

KPMG has been engaged by the Research Committee of the Ottawa Chapter of the Institute of Internal Auditors to assess the current literature on Alternative Service Delivery (“ASD”) to determine the state of the art and devise an ASD framework within an internal auditor’s context. This ASD framework will be available as a resource to other agencies. The benefit of this framework is that users will be able to determine first whether an ASD scenario would apply to their situation and secondly, once it has been determined that an ASD option is viable, then this framework will also provide guidance to those entities that have chosen this route.

KPMG has developed a Risk/Reward framework and a Control framework; these are linked within the overall ASD framework. KPMG has also developed procedures with
respect to mitigating risks and adjusting control levels within an organization. These procedures will be included to aid in assessing the above scenarios. In addition, to achieve efficiencies, the framework will be presented for classes of ASDs so that users may access the framework that best applies to their situation.

B. Methodology

KPMG obtained a bibliography of current literature from the Research Committee on this topic. Based on the listing, KPMG accessed the articles that were listed and summarized the relevant points from each source for use in this framework. To ensure completeness of information and to further understand the factors affecting the framework categories, KPMG also consulted other reference sources, such as publications from the Canadian Institute of Chartered Accountants, reports from other government agencies, and internal KPMG sources. The information from each source was categorized and used to develop the corresponding frameworks and ASD guidelines.
C. Findings

In our review of the literature, it was evident that based on the nature of the articles, it would not be feasible to produce a “State of the Art” report. That is, although the literature was useful in developing a preliminary risk-reward framework; the research could not be categorized into all of the proposed ASD classifications.

The ASD classification recommended, classifies ASDs into the three mechanisms for the delivery of service based on the level of control that results from adopting the ASD. The three categories identified in the provision of an ASD are the Federal Government, Partnership and Privatization. An arrangement with the Federal Government, for example, would result in substantial control of the service delivery remaining with the Federal Government department, whereas a Partnership arrangement would result in shared control. Finally, privatization arrangements would result in only limited control being exercised by the Federal Government with the majority of the control being transferred to the private sector.

Intuitively, the classification model described above would provide a beneficial classification framework because it clearly categorizes ASD’s based on the ability of the Federal Government to exercise control. This ability to exercise control is a significant factor in understanding the risk that remains with the Federal Government and also affects the extent of procedures that Internal Auditors would be required to perform.

The literature in our study identified three main categories of ASD’s; Partnerships, SOA’s and Citizen Centered Renewal Initiative (CCRI). SOA’s would be an example of a Federal Government category above and partnerships is consistent with the Partnership classification above. The CCRI will be included in our general category as this option focuses on improving services based on the needs of the general public and therefore is a necessary consideration for all categories. The literature provided does not specifically address in detail the framework, controls or related risks within privatization arrangements and therefore our literature summary does not include privatization as a category.

Chapter 1 – Types of ASDs, Benefits and Role of Internal Audit

I. Types of ASDs
ASD can simply be defined as any arrangement that involves a change in the delivery of a federal government program operating under traditional federal government legislation, policies, and regulations. The need to select an ASD option often arises as a result of fiscal pressure for cost savings, a belief that competition increases efficiency, a need to focus on core outputs and performance standards, or the need to offer more choices for individuals. For a federal government department/agency that is contemplating ASD options, there are various types of ASDs that exist.

The literature in our study identified three main categories of ASD’s; General (including CCRI), Federal Government-SOAs and Partnerships.

A. General
As one consideration of ASDs, the CCRI focuses on improving services based on the requirements and needs of citizens. This service involves four components:

X Citizen Expectations of Government Service Delivery: knowing citizens/clients expectations, perceptions and priorities, and involving them in service improvements;

X Measuring and Reporting on Performance and Accountability: measuring progress in closing the service gap and using that information to guide the selection of service improvement tools;

X Government delivery of services: continuously improving the capacity of public organizations to deliver the service citizens expect; and

X Government service improvement toolbox: choosing the appropriate mix of tools to close the service gap, as guided by citizens and client priorities for improvement.

B. Federal Government - SOAs
A SOA is an ASD option whereby an agency/department remains part of a federal department and it reports directly to a deputy minister. The SOA will be a separate agency that conducts its own system of operation; however, it is still responsible to report on areas of operational effectiveness, services effectiveness and cost effectiveness in relation to the mandate of the federal government department.

It is important to note that once a SOA has been initiated, the process should not be taken for granted. Those involved should recognize that there are different ways of delivering the service. Leadership, staff involvement, and commitment by all members is crucial for the SOA relationship to work.

C. Partnerships
The term partnership can be categorized further into three separate areas. The first type of partnership refers to the Federal Government setting up a partnership arrangement with other levels of government or an outside organization. In this case, the operational decision-making and risks are shared among the partners. The second type relates to establishing a partner/contractor other than another Federal Government department. This would involve hiring an outside firm to perform the necessary tasks; however, the control with respect to deliverables remains with the Federal Government. Essentially, this scenario functions as a contractor/sub-contractor role. The final type of partnership relates to privatizing a Federal Government department.

By definition three human resource situations exist with respect to the Partnership option:

a. Little or No Integration
X partnerships are set up solely for the purpose of sharing technology or co-locating federal and non-federal work groups to provide complementary services to citizens
X two or more distinct organizations emerge with their own manager

b. Some Integration
X placing a group of employees from a different organization under the supervision of a single manager
X ensuring that the rights, benefits and protections that are available to employees of the federal public service still remain

c. Full Integration
X examples include devolution of federal, provincial, or municipal work
X ensuring fair and equitable treatment of the employees that are affected from the decision
X ensuring that a clear demonstration that value for money was spent on the transition

The benefits, related risks, and controls as well as the procedures to perform this type of ASD option have been analyzed further.
II. Benefits of ASDs

The benefits of an ASD approach to performing activities compared to the traditional approach include:

- Helps develop policy and business processes
- Provides a performance framework
- Focuses on the strategic/business plan
- Acts as an advisor related to performance criteria/indicator
- Forces discipline on policy makers
- Becomes involved in the implementation of recommendations
- Helps to develop action plans
- Acts as an advisor for follow-up on the projects
- Performs the role of facilitator/catalyst
- Identifies new opportunities for policy development
- Gets involved developing legislation and policy
- Provides greater emphasis on roles, responsibilities and relationships
- Reduces emphasis on activities and outputs
- Offers an availability of a wide and mix range of skills
- Improves access to services, making them more responsive to the needs of citizens
- Offers more flexibility and more efficiency
- Removes the excess management regulations
- A faster ability to change processes/policies when problems are detected
- Often a better use of technology in the delivery of services
- Reduces the overlap in jurisdictions which promotes confusion and frustration
- Removes public/private sector competition
- Maintains the same level/quality of service at less cost
- Improves citizen-centered service (effectiveness/quality, efficiency/cost, responsiveness/timeliness) at the same or less cost
- Reduces the operating/administrative cost of government to Canadians for major products or services consumed by government (infrastructure; accommodations; common services; information technology; research; information; and advice)
- Expands the accessibility of existing federal services and programs to Canadians
- Introduces new programs, services, or points of access at the least cost
- Responds to the desire of Canadians to influence government and/or have a direct role in the development and delivery of government programs and services.
III. Role of Internal Audit

A. General
The internal audit department’s role within ASDs includes:
X assisting in the evaluation of the ASD alternatives;
X acting as advisor; and
X evaluating the management of the ASD.

Roles could involve interaction at the development stage, during implementation, and at the reporting phase. At the reporting stage, internal audit should provide guidance with respect to the performance of the department/agency both during and after the ASD option has been chosen and also provide feedback on the changes encountered with the new process and how to address these changes.

B. Federal Government - SOA’s
For the SOA option, specific evaluation activities that can be carried on by the internal audit and/or evaluation functions both during and after implementation of ASD are as follows:
X Formative Evaluations – These are done to gain a better understanding of the entity being evaluated and to devise a performance framework.
X Performance Frameworks – This is a document which specifies:
X the aspects of performance against which SOA management should monitor and report results;
X the aspects of performance likely to be addressed through audit or evaluation;
X data requirements and potential data sources for reviewing performance; and
X the nature and frequency of reporting of SOA management.
X Summative Evaluations – These are periodic assessments using questions about continued relevance of a program or service. Deputy and central agencies will want independent info every few years about the effectiveness and relevance of SOAs. They are carried out well into the life of the program and after the program has come to an end. The following questions should be considered:
X is there still a requirement for the organizations?
X is the program or service operating consistently with its mandate?
X are its additional flexibilities and authorities necessary and/or sufficient for the success of the SOA?
X what should be the strategic direction for the agency?
are there more cost-effective alternatives (such as privatization) to meeting the needs filled by the SOA?

C. Partnerships
The Partnership option requires the following involvement by the internal audit department:

1. Internal Audit should ensure that the following examination is carried out in agreement with the organizational objective prior to entering into a contract:

- Ease of access to the service
- Usefulness of the service
- Quality of the advice provided
- Timeliness / response time
- Relevance of service
- Cost of service
- Amount of paperwork involved
- Courtesy/knowledge/competence of the people providing the service.

2. To ensure that the organization is meeting its requirement, Internal Audit should perform an evaluation based on:

- an agreement upon the roles and responsibilities of each party
- a clear definition of and agreement upon activities, outputs, target clients, and intended impacts, as well as financing
- clear, results-based indicators of performance
- a means to monitor and report ongoing progress and to evaluate the results of the joint initiative
- clear channels and methods of communication, tied to milestone events or dates as appropriate
- an appropriate credit for the department
- a formal agreement clearly addressing all the critical points, particularly results to be achieved
- recognition that successful third-party program delivery is not free: it requires departmental resources
- recognition that in the end, the department is accountable, and not the third party.

Chapter 2 – ASD Frameworks

A. General
1. General Criteria:

For all cases, certain criteria must be met and followed when assessing the ASD option. A four phase approach is needed to increase the likelihood of ASD success. These phases have been identified as follows:

**Phase I:**

X identify all of the types of services in government and select these for a detailed study only those that demonstrated the highest potential for alternative service delivery.

**General Steps to Perform ASD**

Once the ASD option has been identified, the general framework to follow is identified below:

X Determine priorities and where improvement is needed mostly through consultation with a third party.

X Conclude whether the programs and services serve an essential public policy objective, and if so, determine whether it would be delivered in a cost-effective manner.

X Outline how HR management is affected and where flexibility is required.

X Discuss with employees and unions on the plans for the “workplace” during the ASD.

X Employees should be receiving the same collective agreement as before the ASD.

X Develop partnership arrangement with other departments, other levels of government and other sectors of the economy to avoid costly duplication and overlap of work, and build on the strengths and capacity of other sectors to provide services and programs.

X Examine feasibility of transferring services to private sectors where no continuing public policy reasons to retain them exist.

**Phase II:**

X perform a detailed assessment of selected initiatives and identify any emerging issues and principles.

**Phase III:**

X develop a long term approach to the management and delivery of ASD services government-wide

**Phase IV:**
monitor and report on the status to date

2. Citizen Centred Renewal Initiative:
   The steps involved for the Citizen-Centred Renewal Initiative are listed below. These steps are necessary both before and during ASD.

   - An examination of existing services has to be made to ensure that the service has a value to the community of citizens it is intended to service.
   - Policy, program, and delivery staff should begin to shift their collective attitudes towards the citizens.
   - All potential governmental partners across jurisdictions need to be identified, from policy to program design and to delivery.
   - All potential non-governmental delivery partners need to be identified.
   - A clear, understandable and achievable service standard must be instilled.
   - An individual/group must be identified to be accountable for the arrangements and their operations.

   After reviewing the above steps, the following suggested framework for this ASD class will be useful as a checklist to ensure initial decisions are properly made and ongoing processes are properly conducted. This framework involves the role of the Minister.

1. Initial Decisions to be Made:

   - Determine whether the government services in question require decision-making authority or do they involve merely operational activities.
   - If the decision-making authority is involved and authority or powers are to be exercised by persons other than those under the “direction and management” of the Minister, considerations in statutory provisions may be required.

2. A Checklist of other Key Questions:

   - In the provision of information or non-discretionary services, the federal government may want to ensure that the Privacy Act and the Official Languages Acts are adhered to.
   - The checklist must ensure that Ministers are accountable for:
     - putting in place proper and reasonable arrangements
     - dealing properly with problems as they arise under the arrangements
     - properly informing Parliament concerning the arrangements.
   - Determine whether the Minister is satisfied with the arrangement made with respect to achieving the goals of the legislation.
   - In particular, determine if the Minister is satisfied with the person carrying out the task (the individual’s qualifications, training, skills, etc.).
Consider if the arrangement contains proper provisions for monitoring, controlling, evaluating the work.
Evaluate the appropriateness of the means in place for dealing with problems as they arise.
Determine if the arrangement clearly spells out the responsibilities of each party to the arrangement, the objectives pursued, and the information that will be collected and provided to monitor the carrying out of the arrangement.
Ensure that the arrangement achieves the goals of other federal legislation and policies that are relevant (i.e. Official Language Act, Privacy Act, and Access to Information Act).
Determine if the information on the arrangement, financial and other, be readily available.

3. Financial Administration

Ensure that the financial components and authorities for expenditure in this arrangement made clear to Parliament and the public.
Determine if Parliament is aware of the purposes and the means used for the delivery of services under each of the arrangements.
Consider whether there are provisions in the arrangements to ensure that the responsible Minister can properly account for expenditures.

4. Personnel Administration

It is important to ensure that issues of collective bargaining and grievances have been pursued and complied with.

3. Other Considerations

Ensure a facilitating agent/leader is assigned to the task to ensure success through to the implementation.
Often, too much time is allowed between the recognition of a need and the final decision to implement; thus, the speed of delivery must be considered.
Departmental clustering to share common services eliminates duplication and savings. Departments must have joint ownership of common issues and should have the freedom to cooperatively develop and manage shared services.
Up-front investment funds need to be identified and put aside in the beginning of each year to cover the investment cost.
Affected employees are to be treated equitably.
There is a need for a vision of how government intends to deliver its services.
There has to be a clear understanding of government’s overall direction in terms of its business class as a whole.
Criteria for delivery of services must be based on benefits to be gained by government as a whole and not necessarily on benefits to be accrued to individual
organizations.
X There is a need to re-define the delivery process and the support mechanisms
needed for program delivery to be a seamless process and integral part of the organization.
X The integration and streamlining of services government-wide must be managed
through a four step process:

1. Identification of services
2. Consolidation
X merge or cluster like services
X eliminate duplication
X select services for further study to streamline processes as much as possible

3. Rationalization
X identify what services are needed and what can be eliminated
X assess what is affordable
X assess how the various services can be improved
X determine what is the most appropriate accountability structure for management
and delivery of services
X investigate ASD

4. Implementation

B. Federal Government - SOA Framework
The steps involved with the SOA option are listed below:

1. Preparation Phase:
X prepare a preliminary assessment as to whether it meets “best candidate criteria”
X gain the internal support by explaining the SOA concepts and anticipating and
responding to concerns
X identify specific constraints which are priorities to remove, and justification of how
new flexibilities can be more cost-effective
X implement new accountability arrangements

2. Elaboration of a “Management Contract”:
X this is a tailor-made written understanding between SOA, TBS, and the parent
department
X the important questions include:
X who will bear the costs?
X can the cost be recovered?
X what useful role can consultants play in preparing for SOA status?

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who needs to be consulted outside the department?

3. Business Plan Issues to Consider:

these documents need to be highly readable:
they should be focused on practical needs;
they should contain sufficient detail of the business the SOA is in - its products; its clients; key targets/objectives; awareness of external and internal factors; contingency plans; resources required; and
they should be based on substantial and reliable management information;

inadequate attention to any of the above elements can lead to problems with SOA’s internal functions; and
inadequate and insufficient consultation of all relevant players can result in serious gaps and lack of commitment.

C. Partnerships Framework
There are six steps involved in partnership within the Federal Government:

1. Collaborate by choice, not by chance - ensure that a workable arrangement can be made by assessing four elements in advance:

are the arrangements legal (propriety)?
is there value to Canadians?
can all parties be held accountable?
is there an ability to provide sound management to enhance benefits?
- if any of these answers are irreversibly ‘no’, then no further consideration should be given to this matter

2. Check the legalities and definitions

3. Consult with Federal Specialists

1. Prudence and Propriety Issues

keep deputy and ministers informed on status of collaboration
potential parties must respect relevant legislation and policies
ensure fair but not excessive return on investment in collaborative arrangement with private sectors
arrangements should not favor parties, or alter the government’s responsibility to ensure certain levels of service
ensure necessary controls and safeguards do not create adversarial relationship with potential parties
emphasis should be placed on the quality of output, including links to clients, quality of service, and internal communications
avoid inconsistent or duplicate arrangements with outside parties by checking policy within their own and other federal departments

II. Legal, Financial, and Contracting Issues

Contracting with Private Sector
Compliance with the Financial Administration Act or the Government Contracts Regulations is a must
Issues such as prohibition of departments committing or spending beyond budget limits authorized by Parliament should be addressed
A well-written contract should describe outputs precisely and completely and assigns ceiling prices to keep expenditures within approved limits
Generally it is unfair to compare bids from for-profit entities with bids from not-for-profit entities - they do not operate in the same level
Accountability for Public Funds
Generally, employees of private sector may not manage public funds and vice versa. Similarly, the other party cannot be another level of government.

Government to Government Arrangements
Government entities in Canada cannot enter a legal contract with each other because the Crown cannot sue itself.

Management of Risk, Including Insurance
Government must identify and reduce or eliminate risks, minimize and contain the costs and consequences of harmful or damaging incidents - they must provide and obtain feedback on lessons learned from any incidents.

Security
Departments are responsible for protecting sensitive information and assets under their control in partnerships and collaborative arrangements.

Quality Control, Service Standards, Benchmarks
Confirmation that the collaboration complies with the Quality Service Implementation Framework is necessary.

III. Human Resources Issues
Federal employees will continue to be under federal jurisdiction with full employment-related protection.

IV. Communications and Information Issues
Information Privacy - collection of personal information should only be done by persons with appropriate clearances.
Ensure compliance to Privacy Act is enforced.

1. Hold the ‘Partners’ accountable by ensuring the following:

the responsible minister is accountable to Parliament for public funds when third parties are used in program delivery
the manager must be reasonably sure that the third party can meet the requirements before entering into an agreement
information to measure achievement of objectives must be defined for each specific activity
the formal agreement between the Crown and the third party must outline the
1. objectives of the expenditure
2. how results will be measured
2. explicit conditions of public funds allocation
5. The obligation of third party to collect, provide and disclose all accountability information

X the monitoring agreement must consider relevant factors such as the nature and the level of risk, the capability of the third party and the type of activities.

2. Maximize the value of collaboration:

X Perform a checklist to evaluate the delivery program
X Prepare a situational analysis and environmental scanning showing that collaboration is an appropriate option
X Clearly articulate shared or compatible objectives
X Emphasize the clear articulation of needs, expected results, and the added value resulting from this arrangement
X Identify the risks, agree on the allocation of risk responsibilities and how to manage them
X Define an agreement that is measurable for determining results
X An agreement should exist for the following:
  X the provision of inputs (i.e. money, facilities, equipment, human resources, marketing)
  X the division of benefits (i.e. revenues, savings, intellectual property, goodwill)
  X the accounting, audit, and evaluation procedures
  X the procedures for problem-solving, dispute resolution, and ending the relationship
  X agreement on information, public communications, and client consultations
  X Verify the other parties’ suitability and competence
X Develop a thorough and flexible negotiating plan
X Verify that the final arrangement adheres to all federal government policies, such as official languages and privacy
X Confirm that a legally appropriate and documented mechanism is in place.

3. Achieve the best results with sound management techniques:

X Identify advocates at senior levels in each participating organization to resolve differences that might arise
X Clearly identify the roles, responsibilities and accountabilities of all participants, including managers and volunteers
X Outline activities, expected results, timetables, costs, measures of performance and parties responsible
X Agree on the input resources (i.e. human, financial, material, capital, information, and accommodations)
X Develop a progress reporting process
X Develop a well-defined evaluation and audit procedures

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Develop a comprehensive internal and external communications plan to deal with visibility, problem resolution, feedback, and political considerations

Chapter 3 – Risks, Controls and Procedures

I. Risks

A. General Risks:

In general, one of the bigger risks to consider is the clarity of what is being outsourced and what the mandate is of the entity performing the service. Other risks have been identified and have been categorized according to the “ASD Arrangements” document provided by the Chair of the Institute of Internal Auditors¹ (see Appendix for a complete listing of Risk/Reward factors). These are as follows:

1.3 Accountability (to government, parliament, partners, and clients):

X performance management and motivation - ASD demands more accountability on the part of appointed officials.

1.4 Initial Resources Arrangements:

X the initiative may be time consuming and resource intensive.
X time frames may hinder goal progress.

1.7 Conflict Resolution Provisions:

X resistance/skepticism may result.
X open communication and teamwork between the administrators and headquarters may not exist.

2. Cultural Congruence (the potential for misunderstanding stated provisions):

X understanding of the initiative may not occur with all parties.

¹ Alternative Service Delivery (ASD) Arrangements: Reward – Risk, Control and Review Implications (unpublished paper); by Ernest W. Chadler; Chair, Research Committee; IIA, Ottawa Chapter.
3.1 Financial Resource Management Arrangements:

compensation - pay has become more flexible and highly decentralized.
3.2 Human Resource Management Arrangements:

X management may not use employees to their potential to add value to desired results.
X capacity - high turnover rates of members of parliament and ministers, coupled with even more rapid turnover rate of deputy ministers, leaves little choice but to go outside for skills and expertise.
X recruitment - trend is towards a focus on specific job-related skills and competencies rather than on the generic characteristics traditionally found in government.
X labour relations - organization must take the existing staff with current terms and conditions of employment when creating new arrangements or contracting out.
X training - there is a need for a culture of performance, and creativity centered around government’s emerging new roles.

3.3 Physical Resource Management Arrangements:

X a total reorganization of departments and jurisdictions may hinder progress.

3.4 Intellectual Property Management Arrangements:

X inadequate technical support in management of data may result.

4.1 Program Delivery Platform:

X complex, multi-jurisdictional delivery systems may suffer from a lack of identifiable leadership on the government side.
X timely and effective communication of the initiative to employees, departments of authority, and service providers may not be adequate.

4.2 Service to the Public (Service Standards):

X effective access to services may be compromised.
X flow of business may be disrupted.
X private sector solutions may not always be better.
X classification systems may be inflexible.

B. Federal Government - SOA Risks:
Some of the risks and implications of establishing SOAs are as follows:

1.2 Planning (Strategic, Operational, Budgeting) Process:
X SOA employees may not have all the policies and directives that were applicable prior to their designation as an SOA.

3.1 Financial Resource Management Arrangements:

- sources of funds and funding mechanisms for SOA may be inadequate;
- SOAs’ may gain greater control over funding;
- the implementation and management of new arrangements may be costly (i.e. determining how much to invest in short and long term efficiencies and gains).

2. Human Resource Management Arrangements:

- SOA status may cause a redefinition of roles, and resizing;
- issues related to individual performance planning, performance appraisals, employee surveys and ‘best practice’ development may be lost upon transition to a SOA;
- special skills and knowledge may be limited in managing the establishment, operation and interaction with SOA; thus new requirements for training and opportunities for career development will be necessary - this will lead to additional costs & time delays.

C. Partnership Risks:

Listed below are some issues encountered with respect to this option. If these points are not addressed or taken into account before accepting this option, the organization runs a risk that this option will not work to its potential.

1.2 Planning (Strategic, Operational, Budgeting) Process:

- establishing a uniform standard for data collection, processing and interfacing may cause delays.

1.3 Accountability (to government, parliament, partners, and clients):

- the challenges of Public/Private partnership may not be fully comprehended.

1.4 Initial Resources Arrangements:

- resources may not be available to handle client and customer expectations.

1.8 Exit/Wind-Up Provisions:

- implementation of the entire task may take longer (several years) than the deadlines for the task.
2. Cultural Congruence (the potential for misunderstanding stated provisions);

X due to each level of government functioning within a distinct set of corporate standards, tasks may not get completed if there is no compromise and flexibility.
X variation in decision-making authority may result.

3.1 Financial Resource Management Arrangements:

X financial resources for staffing and services may be inadequate.

3.2 Human Resource Management Arrangements:

X training needs for the project may not get full consideration.

4.2 Service to the Public (service standards):

X a service culture may not be accepted.

5.2 Confidentiality and Privacy Provisions:

X security/privacy issues may be compromised during the partnership arrangements.

6. Federal Government Visibility:

X visibility - it may be impossible to distinguish staff at one level of government from those at another by the agency.

In all cases, the risks identified for each category also have success factors that have been observed. By reviewing the risks and issues encountered for each type of ASD option, these can be linked directly both to the success factors and to the controls that have been identified to mitigate the risks.

II. Controls

A. General Controls:

General ASD controls include:

X the head of organization is free to innovate and adjust operational strategies in response to problems and opportunities
X stakeholder requirements are built into performance criteria
X principle of accountability for results is applied throughout the organization and not
just at the top
X those who govern the organization should do so by means of objectives and targets negotiated during the planning process, rather than getting involved with the operational matters
X key players actively support the approach and are given a fair chance to make it work
X renegotiation clause is taken seriously
X a defined accountability of parties is key to the success of ASDs
X a clear definition of the role to be played by the ASD is important
X ASD agreements need to specify how the agreements are to be reviewed, assessed, and results reported
X agreements should be reviewed by internal audit to determine their “auditability” prior to final approval
X terms have to be defined so that all parties know and understand what is expected
X internal audit processes and procedures vary considerably from one internal audit group to another. They need to be harmonized prior to commencing the audit
X internal audit must know and understand the culture of the service provider/requester and be able to work within a different paradigm
X joint auditing reduces the “we/they” phenomenon and helps to resolve issues at the working level
X provincial and federal access to information requirements are sometimes not the same; therefore, the need to address this issue should be dealt up front and not when the request is needed

In response to the needs of citizens, controls to mitigate the risks related to timely service are as follows:

X consult the clients to identify what they view as timely service
X ensure that your service standards reflect your clients’ expectations
X clearly and realistically communicate to your clients how long the entire service process will take
X if the client does not meet the expectations for timeliness, ensure that you communicate this to them
X ensure that barriers to timeliness are investigated.

B. Federal Government - SOA Controls:
The following SOA controls are:

X support from the executive of the department should be obtained effective and timely communication must be conducted
X highlight opportunities the SOA status presents, but also discuss challenges and
risks
X focus on the mission as a reference point for change
X seek advice from clients/stakeholders in the change process
X involve all members of the organization in order to benefit from their experience
and expertise in planning and implementing change
X be flexible and non-bureaucratic in considering alternative ways of organizing
X be deliberate and patient, and manage expectations of all stakeholders
X understand that the move to SOA status can represent a significant cultural change,
and that it will take time to fully implement and adapt

C. Partnerships Controls:

Some good controls to mitigate the risks that are prevalent in this ASD option are as follows:

X good communication channels are essential
X nurturing the longer-term relationship will bring stability
X willingness to develop customized arrangements
X good organization, clear objectives and committed partners are key
X encourage synergies among its stakeholders
X planning and decision-making process needs to be open and flexible
X feedback from clients guides partners in the right direction
X clear specification of roles and responsibilities from the start
X inclusive and comprehensive accountability framework, decision-making process
and reporting mechanism need to be in place
X must have a clear identification of the problems with the current delivery programs
before seeking ASD to prevent risk of incorrect decisions.

III. Review Procedures

A. General
   1. Checklist:

If no measures are applied to deal with risk, then there are some questions that are
necessary to be asked in the risk management profile. The five key questions to
consider are:

1. Have senior managers communicated the core values of the business in a way that people
   understand and embrace?
2. Have managers in your organization clearly identified the specific actions and behaviours that are off-limits?

3. Are diagnostic control systems adequate at monitoring critical performance variables?

4. Are your control systems interactive and designed to stimulate learning?

5. Are you paying enough for traditional internal controls?

In addition to the above, some additional questions that result in general with respect to the decision-making process for risk management are as follows:

The decision making process includes:

- perception and problem definition
- objectives determination
- review of the constraints
- study of the possible choices
- resource assessment
- optimal decision

Questions to assist risk analysis:

- what can go wrong?
- what is the probability of it going wrong?
- what are the likely consequences if it does go wrong?
- who will be affected?
- can the risks be minimized or controlled?
- what is the benefit versus the cost of reducing the risks?
- if the decision is taken, what will be the subsequent effects?
- where are the weaknesses or the gaps in our knowledge?
- how important is risk as a factor to consider?
- what are the potential losses, either monetary or human?

Given the above questions and process, the steps that are necessary to be taken to ensure that risk management has been achieved are as follows:

1. Combine objectives and subjective analysis of the audit universe to reveal audit priority.

2. Analyze management’s ability to achieve its stated goals and objectives in pre-audit narratives.
3. Use questionnaires to examine internal controls from the top down.

4. Analyze the processes for establishing and overseeing risk.

5. Review other risk management functions, such as treatment functions, compliance, and accounting controls.

6. Observe the strategic planning process and its results.

7. Evaluate strategic initiatives.

8. Integrate audit activities.

9. Base the audit process on the net effect of risk exposures and compensating controls.

10. Partner with management by providing consulting services and value-added information.

11. Review ethics as a basic element of internal control.

2. Citizen-Centred Renewal Initiative Procedures

As there were many issues encountered as discussed above with this option, there are also many good practices related to these issues that have been categorized as success factors to this initiative. These good practices are as follows:

- **Has a service standard been established?**
- **Are client feedback mechanisms to help make service improvements and to fine-tune service standards set up?**
- **Has performance been benchmarked to compare and measure the efficiency of its operations and the quality of its service?**
- **Are staff empowered to resolve complex issues?**
- **Does stable leadership exist?**
- **Are senior levels available to offer support?**
- **Is there regular and open communication with employees, unions, central agencies, and clients to help facilitate implementation?**
- **Are all interested parties mobilized around a common goal or mission?**
- **Has the Service Quality Initiative been integrated into the management process and become responsible and accountable for it?**
- **Has sufficient time been allowed for the Service Improvement process?**
- **Has management ensured that the process is not taken for granted?**
- **Has consideration been given to the different ways of delivering the service?**
Is there sufficient leadership, staff involvement and commitment?

**B. Federal Government - SOA Procedures**

The checklist of questions below outlines areas to consider so that the successful implementation of an SOA can occur.

- Does the Deputy Head have all info. necessary to be visibly supportive?
- Is the Deputy’s role established as that of corporate governance?
- Are you copying the framework documents of another SOA?
- Does your management team know what the SOA changes will do for your clients/customers?
- Has your CEO sought all the primary authorities which the deputy has?
- During the transition period, is the CEO limiting the agency’s focus to a few critical authorities gained?
- Are you linking your authorities to clear targets and pay back and expecting it after the first year?
- Are those targets secured with well understood and signed accountability arrangements with both the Deputy and the management team?
- Is the annual report going to report the variances in your business plan?
- Is communication better than before?

In the first year of implementation, it is important to recognize the need and importance of:

- continual education
- reaffirm and justify its actions
- manage the varied expectations of its stakeholders
- keep all lines of communication open
- build support and foster understanding

**Conclusion**

The recommended ASD frameworks that have been identified include the benefits, risks, and controls necessary to ensure that adequate guidance is available to the users of these frameworks.

By categorizing the risks, controls and procedures into the specific ASD classes, the users ...
will be able to access and apply the framework that best applies to their requirements.

**Appendix**