Services publics et
Approvisionnement Canada

Public Services and
Procurement Canada

Gatineau, Canada
K1A 0S5

MAR 1 9 2019

Mr. Charles Robert
Clerk of the House of Commons
House of Commons
Ottawa, Ontario K1A 0A6

Dear Mr. Robert:

Enclosed for tabling in the House of Commons, pursuant to House of Commons Standing Order 109, please accept this as the Government Response to the Fifty-Third Report of the Standing Committee on Public Accounts Entitled "Report 1, Building and Implementing the Phoenix Pay System, of the 2018 Spring Reports of the Auditor General of Canada."

Sincerely,

The Honourable Carla Qualtrough, P.C., M.P.

Enclosures

Canada

Government   Gouvernement
of Canada   du Canada

Ottawa, Canada
K1A 0R5

The Honourable Kevin Sorenson, P.C., M.P.
Chair
Standing Committee on Public Accounts
House of Commons
Ottawa, Ontario
K1A 0A6

Dear Mr. Sorenson:

Pursuant to House of Commons Standing Order 109, please accept this as the Government Response to the Fifty-Third Report of the Standing Committee on Public Accounts Entitled "Report 1, Building and Implementing the Phoenix Pay System, of the 2018 Spring Reports of the Auditor General of Canada."

We would like to thank the Committee for its work in preparing this report. The Government of Canada welcomes the opportunity to update the Committee and Canadians on the significant progress to date on implementing commitments set out by Public Services and Procurement Canada (PSPC) to enhance and expand project management and audit protocols for Government of Canada-wide Information Technology (IT) projects under PSPC's responsibility, and the work that Treasury Board Secretariat (TBS) is currently undertaking as part of the TBS Policy Suite Reset exercise, which includes reviews of the Policies on Investment Planning and Management of Projects, as well as the accountability regime in the federal public service.

Recommendation 1: *That, by 31 May 2019, Public Services and Procurement Canada (PSPC), in consultation with the Treasury Board of Canada Secretariat (TBS), must present to the Committee a report on the project management system for Government of Canada IT projects, including all of its requirements and steps.*

The Government of Canada agrees with this recommendation and will present to the committee a report on the project management system for Government of Canada IT projects, including all of its requirements and steps, by May 31, 2019. Efforts are underway to fully implement the specific areas identified in PSPC's Management Action Plan (MAP), and are already being integrated within its project management practices for new government-wide IT projects under PSPC's responsibility deemed to be Level 3 (Evolutionary) or Level 4 (Transformative), as defined by the Project Complexity and Risk Assessment tool overseen by TBS.

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Progress is being made to overhaul the National Project Management System (NPMS), PSPC's project management instrument. The NPMS defines key principles and provides the directives, roadmaps, deliverables and tools needed to successfully deliver projects on scope, on time and on budget. By including an IT component in its new iteration, NPMS 2 will ensure that Government of Canada-wide IT projects under PSPC's responsibility are properly considered. These practices are being implemented proactively ahead of their formal adoption, and in parallel with a TBS Policy Suite Reset exercise, which includes a review of the Policy on Investment Planning and Policy on the Management of Projects.

Under NPMS 2, PSPC is taking action to ensure that, for all government-wide IT projects under its responsibility, appropriate authorities define and assign roles and responsibilities of concerned stakeholders. This includes ensuring that implicated partners and stakeholders are aware of the cumulative impacts of key decisions through shared project management governance committees; using project milestones and gating tools to assess a project's performance before proceeding to future phases; and adopting strengthened and dedicated change management capacity and strategies that include detailed understanding of the culture of the organization. Further, significant efforts are being dedicated to transform underlying business processes and supporting how this change is managed, and to ensure that projects are subject to a review and/or audit and receive approval before proceeding to the next phase.

NPMS 2 will be required to comply with upcoming legal and policy requirements related to project management under TBS. These TB instruments include the Policy on Investment Planning, and Policy on the Management of Projects (to strengthen planning and life cycle management of assets, investments and projects), as well as the Organizational Project Management Capacity Assessment (OPMCA) and the Project Complexity and Risk Assessment (PCRA) used for evaluating departmental capacity and project risks, which will strengthen management decision making. In ensuring that PSPC's NPMS is consistent with TB policy requirements, governance structures will be strengthened and information retention practices will be formalized.

These steps will go far in enabling PSPC to ensure the effective project management of complex Government-wide IT projects under its responsibility to deliver benefits to Canadians, and ensure the sound stewardship of taxpayers' dollars.

Recommendation 2: *That, by 31 May 2019, Public Services and Procurement Canada (PSPC), in consultation with the Treasury Board of Canada Secretariat (TBS), must present to the Committee a report on the four milestones that will be integrated into the approval documentation for government-wide projects.*

The Government of Canada agrees with this recommendation and will present to the committee a report on the four milestones that will be integrated into the approval documentation for government-wide projects by May 31, 2019.

A number of actions have been identified by PSPC to move forward on implementing milestones. In proactively addressing key commitments in the MAP, PSPC has made early progress in ensuring that new government-wide IT projects under PSPC's responsibility deemed to be evolutionary and transformative meet the four milestones.

As noted in the MAP, PSPC has committed to the following four milestones for Government-wide IT projects under its responsibility:

- Milestone A: Prior to launching a government-wide IT project, ensure the project team has a clear understanding of the scope of the project and the implicated stakeholders.

- Milestone B: In consultation with stakeholders, define roles and responsibilities of PSPC, as lead organization, as well as stakeholders, and central agencies.

- Milestone C: In consultation with stakeholders, establish a performance measurement framework that measures the effective discharge of the assigned roles and responsibilities of each organization.

- Milestone D: In consultation with stakeholders, establish a process to independently validate performance, including readiness to onboard, facilitate sharing of performance results, and take action on non-performance.

As per Milestone A, PSPC has committed to ensuring that for Government-wide IT projects under its responsibility, the project team has a clear understanding of the scope of the project and implicated stakeholders. Recently launched IT projects under PSPC's responsibility have involved PSPC conducting robust and early engagement with a community of procurement experts, ranging from industry stakeholders, to other jurisdictions. Moreover, technical options were subject to analysis by both industry and third-party experts to ensure that industry feedback is incorporated as an essential component of project management.

Under Milestone B, PSPC is taking action to follow through on ensuring that for all government-wide IT projects under its responsibility, roles and responsibilities of PSPC as the lead organization and concerned departments and agencies, including TBS, are clearly defined. For example, recently launched IT projects under PSPC's responsibility include DM, ADM and Project Management committees, which have clearly-defined roles and responsibilities identified in the project charter.

Each of these committees also includes representatives from all major stakeholders, including TBS. Moreover, stakeholders also have shared responsibility for ensuring that expected outcomes and benefits of the project are being realized.

Under Milestone C, PSPC has committed to developing a performance measurement framework in consultation with stakeholders. Recently implemented projects are providing an auditable trail and historical records of project progress and establishing a performance measurement framework to measure outcomes.

Project teams are providing regular reporting in the form of dashboards to all governance and oversight bodies, including updates on project costs, issues, risks, scope, and schedule. These dashboards also aim to ensure visibility on key project challenges and serve as an escalation tool within the project's governance structure.

Under Milestone D, projects are also undergoing periodic reviews by third party experts as part of PSPC's original commitment to independently validate the performance of the lead organization. These new actions will help project managers coordinate and take appropriate actions at every stage of a project to ensure proper governance and stakeholder involvement.

Recommendation 3: *Treasury Board Secretariat (TBS) must present to the Committee: 1) a report on the changes made to guidance and policies respecting independent reviews, including the clearest possible definition of an "independent review;" by 31 March 2019 and 2) a report on the decision-making processes that determine the specific points subject to independent reviews and on the process for providing the findings of these reviews to the accounting officer, by 31 July 2019.*

The Government of Canada agrees with this recommendation. Changes to the guidance and policies with respect to independent reviews are still under development and TBS will not be in a position to share these changes by March 31, 2019. However, TBS will commit to providing a report to the Committee by July 31, 2019. The Government will also provide the requested report on the decision-making processes that determine the specific points subject to independent reviews and on the process for providing the findings of these reviews to the responsible Deputy Head and senior project executives by July 31, 2019.

The Treasury Board of Canada Secretariat (TBS) is making significant changes to investment planning and project management policies, which will result in the adoption of industry best practices in the management, governance and oversight of Government of Canada.

As the primary means by which change is introduced into any organization, the importance of projects cannot be overstated in delivering on federal priorities, which includes providing better, faster and more accessible digital services for Canadians.

As part of the TBS Policy Suite Reset exercise that is currently underway, the Office of the Comptroller General and the Office of the Chief Information Officer have worked in close collaboration to propose significant revisions to the current Policy on Investment Planning and Policy on the Management of Projects.

The revised policy instruments, which are based on extensive private and public sector best practices and lessons learned research, include numerous new requirements aimed at strengthening the management, oversight and governance of Government of Canada project investments.

Included among proposed policy changes that aim to ensure the successful delivery of projects are provisions that will provide the Chief Information Officer of Canada with the authority to conduct independent reviews at key decision points throughout the life of those IT (digital) projects under the ongoing oversight of TBS, including government-wide IT projects. An independent review is defined as a critical assessment conducted by qualified, unbiased, arm's-length experts to assess the likelihood of a project to meet its business objectives within its cost, schedule and scope constraints. Departments and their project sponsors will benefit from this unbiased insight and advice regarding corrective measures that are recommended to ensure a project is positioned to successfully deliver on its intended business outcomes and hence achieve the desired benefits for Canadians.

TBS will also complete the planning and update of the Independent Review guidance to assist senior leaders in leveraging independent reviews as a means to gain insight as to corrective actions that can be taken to help ensure Government of Canada projects succeed in achieving the intended business outcomes and benefits.

Recommendation 4: *Public Services and Procurement Canada (PSPC) must present to the Committee a report on the new instruments in the information technology project management framework by 31 May 2019; this framework must be approved by Treasury Board Secretariat (TBS) and include in the process the accounting officers of the departments and agencies concerned by a project.*

The Government of Canada agrees with this recommendation and will present to the Committee a report on the new instruments in the information technology project management framework by May 31, 2019. As outlined above in the response to Recommendation 1, the new IT component for NPMS 2 will be subject to TB review prior to official adoption by PSPC as the new standard.

In the interim, PSPC is taking concrete action to enhance project management fundamentals by implementing key instruments under this framework in recently launched, PSPC-led, government wide IT projects.

Further to Recommendation 2, PSPC is ensuring that for all government-wide IT projects under its responsibility, it maintains an effective governance framework in line with TB policies, and includes representation from stakeholder organizations on ADM, DM and Project Management Committees with clearly delineated responsibilities and shared accountabilities for outcomes.

Efforts are also being dedicated to promote independent oversight within the governance framework for projects under PSPC's responsibility. This includes ensuring that key project roles are shared amongst the primary stakeholders to ensure independent oversight, and that projects are being supported by advisory committees that provide independent advice and a challenge function to DM, ADM and Project Management Committees.

NPMS 2 will formalize the above collaborative approach, which will enhance accountability for project management and ensure that PSPC leverages best practices to include governance structures with DG, ADM and DM committees. Its goal will be to outline roles and responsibilities, approval mechanisms and develop a terms of reference template. TBS will work in collaboration with PSPC to support alignment of the new PSPC IT project management framework with the proposed TB Policy on the Planning and Management of Investments and the Directive on the Management of Projects and Programs.

Recommendation 5: *Public Services and Procurement Canada (PSPC) must present to the Committee a report on the new initiatives concerning its internal audits of government-wide information technology projects by 31 May 2019; the report must also include guarantees that these audits will be completed and their findings applied before projects are implemented.*

The Government of Canada agrees with this recommendation and it will present to the committee a report on new initiatives concerning internal audits of government-wide information technology projects under PSPC's responsibility by May 31, 2019. For government-wide information technology projects under its responsibility, PSPC's internal audit function will collaborate early on and throughout the lifecycle of these projects with project governance committees, project management, and internal audit functions of stakeholder departments to provide the Deputy Minister with assurance on governance, risk management, and controls.

PSPC has redefined the department's audit universe into auditable units, including those that represent information technology projects, which further includes government-wide information technology projects. The auditable units, including those of government-wide information technology projects under PSPC, have been ranked in terms of risk, complexity, significance, and public visibility, as well as shared accountability and government-wide impact. This risk-based analysis will be updated annually to reflect environmental change, dynamic risk factors and the need for reprioritization.

PSPC is delivering its Risk-Based Audit Plan for 2018-2021 and is in the process of updating the Plan for 2019-2022. The Plan is based on the results of its risk assessment of the department's audit universe, which includes government-wide information technology projects under PSPC's responsibility.

Results of audit engagements, including recommendations and management action plans, are tabled with the Departmental Audit Committee, and will specifically be tabled with project governance committees established to provide oversight over government-wide information technology projects under PSPC's responsibility. The internal audit function monitors the status of implementation of audit recommendations and will report the results of its monitoring to the Departmental Audit committee and the project governance committees established to provide oversight over PSPC-led government-wide information technology projects. Further project sponsors are in attendance at those meetings and are responsible for confirming to the committees that recommendations have been addressed. These activities support project governance committees in ensuring recommendations are addressed before project implementation. Consistent with PSPC's commitment to transparency for audit findings and MAP implementation, the department will ensure that relevant reports are publicly released.

PSPC is actively participating in initiatives to explore innovative approaches to strengthen internal audit capacity to provide assurance over government-wide information technology projects and other major government-wide transformation initiatives. It will engage and work collaboratively with other internal audit functions to provide the Deputy Minister with assurance on governance, risk management, and controls.

Recommendation 6: *That, by 31 March 2019, Government of Canada must present to the Committee a report exploring opportunities to improve the accountability regime, including dealing with gross mismanagement or other very serious discrepancies.*

The Government of Canada is in agreement with this recommendation. The Government has launched a review of its accountability regime and performance management program for executives. As the review is an ongoing exercise and will not be completed by March 31, 2019, the scope of this review is presented below in response to the Committee's recommendation.

The Government supports a high-performing public service that demonstrates the behaviours of the *Values and Ethics Code for the Public Sector* (the Code), including the effective stewardship of public money, property and resources managed by public servants. As a condition of their employment, public servants are expected to abide by the Code and demonstrate the values of the public sector in their actions and behaviour. If a public servant does not abide by the values and expectations in the Code, he or she may be subject to administrative or disciplinary measures up to and including termination of employment.

Deputy heads in the Core Public Administration (CPA) are accountable for identifying and dealing with instances of misconduct and unsatisfactory performance and have two options at their disposal:

1) *Disciplinary Action for Cause*

The *Financial Administration Act* authorizes every deputy head in the CPA to establish standards of discipline and to set penalties, including termination of employment, suspension, demotion to a lower level position, and financial penalties that may be applied in instances where there is a breach of discipline or misconduct. Disciplinary action in these cases is considered to be for cause.

As part of its review of its accountability regime and performance management program for executives, the Government will examine how discipline for cause is applied to executives across the CPA as well as review other jurisdictions' use of termination for misconduct.

2) *Performance Management Program for Executives*

Another avenue for managing the performance of executives, including dealing with unsatisfactory performance, is through the Performance Management Program for Executives (EXPMP). Performance management is an essential component of sound human resource practices, as it drives excellence and improves organizational results. While the EXPMP's primary function is to serve as an accountability accord between executives and their management, it is also a tool for improving the performance and productivity of individuals, teams and organizations.
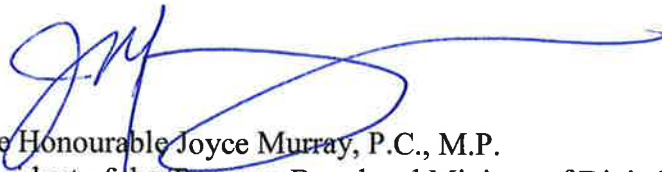
As part of its review of the policy suite on the management of executives, the Government has already begun a review of the performance management program. As part of this ongoing review, the Government will analyze trends in the administration of the performance management program for executives across departments in the CPA to better address gaps and inconsistencies and examine the policies of other public sector and private sector organizations.

We would like to again thank the Committee for its hard work in preparing this report, and for providing the opportunity to update Canadians on our progress in implementing commitments set out in the Auditor General's Spring 2018 Reports. Your feedback will be helpful in contributing to the Government of Canada's ongoing efforts to enhance stewardship over Government of Canada IT projects through strengthened project management principles, and effective internal audit and independent review functions.

Yours sincerely,

The Honourable Carla Qualtrough, P.C., M.P.
Minister of Public Services and Procurement and Accessibility

The Honourable Joyce Murray, P.C., M.P.
President of the Treasury Board and Minister of Digital Government