



**Industry
Canada**

**Industrie
Canada**

Audit of Selected Business Processes within Measurement Canada

Final Report

Audit and Evaluation Branch

October 2006

**Tabled and approved by DAEC
on April 23, 2007**

Canada

This publication is available upon request in accessible formats. Contact:

Multimedia Services Section
Communications and Marketing Branch
Industry Canada
Room 264D, West Tower
235 Queen Street
Ottawa ON K1A 0H5

Tel.: 613-948-1554

Fax: 613-947-7155

Email: multimedia.production@ic.gc.ca

Permission to Reproduce

Except as otherwise specifically noted, the information in this publication may be reproduced, in part or in whole and by any means, without charge or further permission from Industry Canada, provided that due diligence is exercised in ensuring the accuracy of the information reproduced; that Industry Canada is identified as the source institution; and that the reproduction is not represented as an official version of the information reproduced, nor as having been made in affiliation with, or with the endorsement of, Industry Canada.

For permission to reproduce the information in this publication for commercial redistribution, please email: copyright.droitdauteur@pwgsc.gc.ca

Cat. No. Iu4-108/2007E-PDF

ISBN 978-0-662-45948-4

60236

Aussi offert en français sous le titre : *Vérification d'une sélection de processus opérationnels de Mesures Canada*

Table of Contents

1.0 EXECUTIVE SUMMARY	1
1.1 INTRODUCTION.....	1
1.2 OBJECTIVES AND SCOPE.....	1
1.3 AUDIT APPROACH.....	1
1.4 CONCLUSION.....	2
1.5 STRENGTHS.....	2
1.6 RECOMMENDATIONS.....	3
2.0 INTRODUCTION	4
2.1 BACKGROUND.....	4
2.2 AUDIT APPROACH.....	5
2.3 AUDIT OBJECTIVES.....	7
2.4 AUDIT SCOPE.....	7
2.5 AUDIT CRITERIA.....	8
2.6 APPRECIATION.....	8
3.0 DETAILED FINDINGS	9
3.1 ACCREDITATION PROCESS.....	9
3.1.1 PROCESS DESCRIPTION... ..	9
3.1.2 OBSERVATION #1 - MONITORING OF CRITICAL SUCCESS FACTOR.....	9
3.1.3 OBSERVATION #2 - MEASURING OF END - CLIENT SATISFACTION	10
3.2 REGISTRATION PROCESS.....	12
3.2.1 PROCESS DESCRIPTION... ..	12
3.2.2 OBSERVATION #3 CONSISTENT SERVICE DELIVERY... ..	12
3.3 APPROVAL AND CALIBRATION SERVICES LABORATORY PROCESS.....	13
3.3.1 PROCESS DESCRIPTION.....	13
3.3.2 OBSERVATION #4 CLIENT SERVICE STANDARD.....	13
3.3.3 OBSERVAION #5 LABORATORY HUMAN RESOURCE STAFFING PLAN.....	14
3.4 REGULATIONS, SPECIFICATION AND POLICY PROCESS.....	15
3.4.1 PROCESS DESCRIPTION.....	15
3.4.2 OBSERVATION #6 INFORMAL PERFORMANCE INDICATORS IN REGULATIONS, SPECIFICATION AND POLICY PROCESS.....	15
APPENDIX A – PROCESS OVERVIEW AND STRENGTHS	17
APPENDIX B – PLANNING PHASE	25
APPENDIX C – AUDIT CRITERIA	40
APPENDIX D – MANAGEMENT ACTION PLAN	41

1.0 Executive Summary

1.1 Introduction

Measurement Canada administers and enforces the *Electricity and Gas Inspection Act* and the *Weights and Measures Act* through the exclusive constitutional authority of the Government of Canada. Its mission is to ensure equity and accuracy where goods and services are bought and sold on the basis of measurement, in order to contribute to a fair and competitive marketplace for Canadians.

The services offered by Measurement Canada include Inspection, Accreditation, Approval of Devices and Calibration, as well as investigating and ruling on complaints and disputes on measurement device accuracy. Measurement Canada is also responsible for setting trade measurement standards and requirements.

1.2 Objectives and Scope

The objectives of this audit were as follows:

- Document the responsibilities and authorities placed on Measurement Canada from the *Electricity and Gas Inspection Act* and the *Weights and Measures Act*; and,
- Assess the high-level design of key business processes, monitoring, and controls put in place by Measurement Canada to address key responsibilities assigned to it under its governing legislation.

The scope of the audit focused on assessing the design of Measurement Canada's key processes and controls. The audit did not include an assessment of the operating effectiveness of these controls.

The following four Measurement Canada business processes were reviewed in this audit: Accreditation; Registration; Approval and Calibration Services Laboratory; and Regulations, Specifications, and Policy.

1.3 Audit Approach

The methodology and approach used for this audit was tailored to the two audit objectives identified above. The audit methodology was comprised of three distinct phases: planning, conducting and reporting.

1.4 Conclusion

The audit team observed that the processes and controls designed by Measurement Canada to address the responsibilities assigned under its governing legislation are generally designed appropriately; however, some opportunities for improvement were noted.

1.5 Strengths

During the audit, the following practices were identified as strengths that were common across most of the business processes reviewed:

- **ISO standards focus** – Measurement Canada’s focus on International Organization for Standardization (ISO) standards and close association with standard setting bodies helps guide the design of Measurement Canada business process activities, documentation of key process steps, and the establishment of Quality Management Systems (QMS). A focus on ISO enhances controls through documented roles and responsibilities, control review procedures, and annual QMS audits. One of the four processes reviewed is ISO certified and there are plans to certify other processes.
- **Systems support** – In all processes reviewed, systems appear to be designed to support Measurement Canada in achieving its objectives. Specifically, systems are designed to: allow Measurement Canada to more effectively communicate with its stakeholders and employees; track progress within the organization; track Authorized Service Providers (ASPs) and their activities; and, assist in making continuous improvements.
- **Documentation** – Measurement Canada has developed detailed descriptions of its business processes, including roles and responsibilities and has taken proactive steps to ensure that employees and other stakeholders can find well documented descriptions of tasks and operations. Approvals and authorities are also consistently defined for the business processes reviewed.
- **Consultation and coordination.** Measurement Canada has established a number of mechanisms to assist in soliciting the needs of its end users and input from industry experts as well as other internal Measurement Canada groups. Examples include: Trade Sector Reviews; Marketplace Monitoring; Electricity Policy Advisory Group (EPAC) / Gas Policy Advisory Group (GPAC); Joint Working Groups; and the International Organization of Legal Metrology (OIML).

In addition, strengths were identified for each business process reviewed. These are highlighted in the detailed findings section of this report, with more detail provided in **Appendix A**.

1.6 Recommendations

Outlined below is a summary of the recommendations resulting from this audit:

- Develop a process to proactively monitor and report to the ASP and Senior Management Committee on the critical success factor that ASPs find Accreditation profitable;
- Develop a set of performance measurement indicators to track end-client satisfaction with the services provided by the accredited ASP;
- Establish a management control framework and associated compliance monitoring plan necessary to ensure that the Registration process is conducted consistently across Canada;
- Develop client service standards (e.g. by discipline, or device complexity) which reflect the complexity of the work involved in the approval process;
- Establish a lab-specific staffing plan which could include alternative staffing possibilities (e.g. contracting/outsourcing, job rotation/shadowing) for lab technicians within the context of the Measurement Canada Human Resources Plan; and,
- Develop more formal performance indicators for the Regulations, Specification and Policy process.

2.0 Introduction

2.1 Background

Measurement Canada administers and enforces the *Electricity and Gas Inspection Act* and the *Weights and Measures Act* through the exclusive constitutional authority of the Government of Canada. Its mission is to ensure equity and accuracy where goods and services are bought and sold on the basis of measurement, in order to contribute to a fair and competitive marketplace for Canadians.

The services offered by Measurement Canada include Inspection, Accreditation, Approval of Devices, and Calibration, as well as investigating and ruling on complaints and disputes on measurement device accuracy. Measurement Canada is also responsible for setting trade measurement standards, monitoring the accuracy of measurement devices in the marketplace, and auditing/evaluating authorized service providers.

Measurement Canada currently serves all of Canada through its Headquarters located in Ottawa and is headed by a President and supported by Vice-Presidents, Directors, Program Officers and Administrative staff. There are five regional offices, each headed by a Director and supported by Technical Specialists, an Accreditation Coordinator and Administrative staff. The regions are further divided into fourteen districts, each administered by a District Manager and supported by inspectors and administrative staff.

Over the past six years, Measurement Canada has and continues to undergo a significant shift in its approach to delivering services to Canadians. Specifically, Measurement Canada has adopted an Alternative Service Provider (ASP) approach to the delivery of verification and inspection services that has seen Measurement Canada move from a direct enforcement role and towards an oversight and monitoring role in the marketplace. This strategy has already been executed for the Electricity and Gas trade sectors and is currently being implemented for the Weights and Measures trade sectors. Measurement Canada has a target date of January 1, 2007 to withdraw from the provision of initial inspection services in the Weights and Measures trade sectors where two or more ASPs exist in a given Province. In the territories, Measurement Canada will no longer provide this inspection service if there are two or more ASPs in the adjoining provinces who provide the inspection service. As of the end of fiscal year 2004-05, Measurement Canada reported that Weights and Measures ASPs conducted approximately 13% of all inspections conducted pursuant to the Act and Electricity and Gas ASP's conducted approximately 95% of the estimated 18.3 million electricity and natural gas meters verifications conducted pursuant to the Act.

2.2 Audit Approach

Between December 2005 and May 2006, an audit of selected business processes within Measurement Canada was conducted. The audit was conducted in three phases, as follows:

Planning Phase (December 2005 – February 2006): The primary objective of the planning phase was to gather high-level information regarding Measurement Canada's processes in relation to the Treasury Board Secretariat (TBS) Management Accountability Framework (MAF). The scope of audit activities undertaken during the Planning Phase included limited documentation review and conducting interviews with selected Measurement Canada personnel. The purpose of gathering this data was to enable the development of a focused work plan and audit program for the remainder of the audit.

Note that detailed testing and/or corroborative procedures were not undertaken during the Planning Phase of the audit. The observations reported from the Planning Phase are based on the limited evidence gathered during the Planning Phase. The results of the Planning Phase do not represent assurance findings and should not be used to draw conclusions regarding the design or effectiveness of controls. **Appendix B** includes a summary description of each area explored, the processes in-scope, and observations for each MAF element reviewed.

Planning Phase preliminary observations were developed and discussed with Measurement Canada. During this discussion, three opportunities for improvement were noted and discussed with Measurement Canada; however, it was determined that further audit work related to these areas would not be beneficial or appropriate at this time. Specifically, the three areas identified, and the rationale for not pursuing these areas further during this audit, are described below:

- A formal Measurement Canada process was not observed for employees to report ethical incidents or pose ethical questions; however, the audit team was informed that Measurement Canada is participating in the Industry Canada Internal Disclosure of Wrongdoing Program. As such, it was determined that it would not be beneficial to conduct further audit work on this issue in the next phase of this audit;
- While Measurement Canada has two high-level risk management processes, an overall integrated risk management framework or program was not observed. Measurement Canada recognizes this as an area for future development. Given the lack of a formal integrated risk management framework or program, it was agreed that further audit work focusing on the Risk Management component of the MAF would likely yield little new insight or assurance for Measurement Canada; and,
- Stewardship was one of the MAF areas reviewed during the Planning phase. The following is a high level summary of the key observations:
 - It was noted that an individual within Measurement Canada was currently exercising Sections 32, 33 and 34 of the Financial Administration Act (FAA) for Measurement Canada Headquarter transactions, increasing the risk of improper segregation of duties. This issue was identified through an audit of Departmental Financial

Controls, which was underway at the time of this audit. Management has taken measures to address this issue, the details of which can be found in **Appendix B** of this report.

- A fleet management policy is in place which outlines acceptable use of Measurement Canada vehicles. In addition, processes are designed to track and report vehicle kilometre use to district managers for their review and to identify unexpected usage patterns. The Director of Management Services also receives an annual vehicle usage report that is reviewed for stewardship related issues.
- For inventory (e.g. computers, technical equipment), a process exists for all items over \$1,000 to be tracked and for inventory counts to be conducted.
- With respect to financial processes, payments greater than \$2,000 and payments under \$2,000 that are deemed to be sensitive (e.g. travel, hospitality) are subject to a full Section 33 review prior to payment. Non-sensitive payments under \$2,000 and credit card payments are reviewed on a post-payment sample basis, which is conducted by the Corporate Comptrollership Branch.
- Measurement Canada collects approximately \$1.9 million annually through fees charged for approval, calibration, inspection and verification, and Accreditation and Registration program service fees.
- Given that an audit of Departmental Financial Controls was recently completed, and that an audit of equipment and capital assets will be included in future department-wide audits, it was agreed that the above observations would not be included in the scope of this audit. Additionally, it was agreed that although no issues were observed in the planning phase, the revenue process would be reviewed as part of the review of the laboratory Approval process in the Conducting Phase. The results of that review are included in **Appendix A.3**.

Upon completion of the Planning Phase of this audit, it was decided that the focus of the Conducting Phase should be on the design of the processes and controls associated with Measurement Canada's core business as this would provide an enhanced understanding of the controls in place in Measurement Canada's core business activities and could provide Measurement Canada with practical opportunities to strengthen the design of the processes and controls.

Conducting Phase (March 2006 – April 2006): Based on the audit work conducted in the Planning Phase, the audit team developed the audit objectives and audit program for the Conducting and Reporting Phases of the audit, and conducted the related audit work. The remainder of this report outlines the results of this Phase.

Reporting Phase (May 2006): Based on the observations and findings gathered through the Conducting Phase, the audit team developed this report.

2.3 Audit Objectives

Based on the audit work conducted in the Planning Phase, the following audit objectives were developed for the Conducting and Reporting Phases of the audit.

- Document the responsibilities and authorities placed on Measurement Canada from the *Electricity and Gas Inspection Act* and the *Weights and Measures Act*; and,
- Assess the high level design of key business processes, monitoring, and controls put in place by Measurement Canada to address key responsibilities assigned to it under its governing legislation.

2.4 Audit Scope

The Conducting Phase of this audit focused on assessing the design of key processes and controls within the scope of this audit. Specifically, the audit team conducted interviews, documentation reviews and limited walkthrough testing to assess whether the selected processes and controls were designed appropriately. The audit did not include an assessment of the operating effectiveness of these controls.

Based on input from Measurement Canada senior management and the results of the Planning Phase, the following key areas of responsibility and corresponding business processes were selected for review within the scope of this audit:

- Accreditation – private sector organizations are accredited by Measurement Canada to perform device verifications on behalf of Measurement Canada. Accredited organizations must implement and maintain a Quality Management System (QMS). Measurement Canada monitors and evaluates accredited organizations to ensure ongoing conformance with established performance criteria;
- Registration - private sector organizations are registered by Measurement Canada to perform device verifications on behalf of Measurement Canada. Registered organizations do not need to maintain a QMS, however, they can only certify devices for specific trade sectors. Measurement Canada monitors and evaluates registered organizations to ensure ongoing conformance with established performance criteria;
- Approval and Calibration Services Laboratory – new measurement devices must be approved by Measurement Canada for use in trade according to set standards before these devices can be used in the marketplace; and,
- Regulations, Specifications, and Policy – new measurement standards developed and adopted by Measurement Canada for implementation in the Canadian marketplace.

Note that the processes supporting the inspection or verification of devices prior to the use in trade has historically been one of the organization's core business processes; however, after interviews with Measurement Canada personnel and an analysis of data provided by

Measurement Canada, it was determined that the process would not be included in the scope of this audit. The rationale for this decision was based on Measurement Canada's stated ASP strategy. More specifically, Measurement Canada conducts very few verifications pursuant to the *Electricity and Gas Act* and has published plans to withdraw from initial inspections services conducted pursuant to the *Weights and Measures Act* by January 1, 2007 where two or more ASPs exist in a given Province. In the territories, Measurement Canada will no longer provide this inspection service if there are two or more ASPs in the adjoining provinces who provide the inspection services.

2.5 Audit Criteria

The following audit criteria were agreed upon for the Conducting Phase of this audit and are based on the Canadian Institute of Chartered Accountant's Criteria for Control (CoCo) framework.

For each of the business processes reviewed, the audit team expected that:

- Control activities should be designed as an integral part of the organization, taking into consideration its objectives, the risks to their achievement, and the inter-relatedness of control elements.
- Performance should be monitored against the targets and indicators identified in the organization's objectives and plans.
- Management should periodically assess the effectiveness of control in its organization and communicate the results to those to whom it is accountable.
- Authority, responsibility and accountability should be clearly defined and consistent with an organization's objectives so that decisions and actions are taken by the appropriate people.
- People should have the necessary knowledge, skills and tools to support the achievement of the organization's objectives.
- The decisions and actions of different parts of the organization should be coordinated.

2.6 Appreciation

The audit team would like to express its appreciation to the Measurement Canada management and staff. They cooperated with audit requests, were available for interviews as required, and provided requested information to the audit team in a timely manner.

3.0 Detailed Findings

This section of the report outlines the audit team's principle observations regarding the design of the in-scope Measurement Canada business processes and control activities.

3.1 Accreditation Process

3.1.1 Process Description

Measurement Canada has the responsibility to verify measurement devices for use in trade in Canada according to set standards. In order to accomplish this, Measurement Canada uses an Accreditation process by which authorized service providers (ASPs) can become accredited and thereby perform measurement device verifications on behalf of Measurement Canada.

Participation in this program is voluntary. Measurement Canada monitors the performance of accredited organizations to ensure ongoing conformance with established performance criteria.

During the audit, strengths in the areas of continuous improvement and external consultation and coordination were identified. Specifically, the design of an innovative approach to continuous improvement; established mechanisms to solicit input from end users and industry experts; and, a Marketplace Monitoring program designed to assess effectiveness in the marketplace.

Appendix A provides a more detailed overview of the Accreditation process and specific identified strengths.

3.1.2 Observation #1 - Monitoring of Critical Success Factor

The audit team observed that an opportunity exists for Measurement Canada to develop a strategy to proactively monitor and measure one of the key risks facing this process: the risk that ASPs will not enrol in the Accreditation process due to perceived cost and complexity of becoming accredited. Measurement Canada has identified that a critical success factor to its long-term strategy is that accredited organizations find accreditation profitable.

Currently, Measurement Canada has a well defined process and performance management framework that is used to manage the Accreditation process. Measurement Canada tracks ASP progress through the Accreditation process using the Measurement Canada Information System (MCIS). The MCIS can produce reports that show the number of ASPs that have applied for accreditation and the number that have become accredited. These reports are reviewed bi-annually by senior management.

The audit team did not observe, however, a process or set of indicators designed to actively monitor the occurrence of the risk that ASPs would not enrol in the Accreditation process and provide Measurement Canada with advanced knowledge of the trends associated with this critical success factor. The performance measurement information reviewed by the audit team indicates Measurement Canada is not formally collecting information to assess whether accredited organizations find accreditation profitable. If ASPs began finding accreditation unprofitable, Measurement Canada could be faced with capacity issues and demands from trade sector participants for Measurement Canada to once again directly provide services. The

Measurement Canada May 2005 Management Review Report noted that this risk may be occurring. The report noted that more organizations are already choosing registration rather than accreditation in Ontario due to budget restrictions.

This issue will be of increasing importance in the near term as Measurement Canada moves towards greater reliance upon ASPs for the provision of services. The issues and risks faced by Measurement Canada are different in various trade sectors in which it or its ASPs provide services. Specifically,

- In the trade sectors governed by the *Electricity and Gas Act*, the risk is not that ASPs will exit the business but rather that ASPs will find the costs associated with Accreditation unacceptable and will put increasing pressure on Measurement Canada to reduce Accreditation requirements.
- In the trade sectors governed by the *Weights and Measures Act*, the primary risk is that ASPs will find the ASP model unprofitable and choose Registration instead of Accreditation, or choose to exit the ASP market entirely. This could require Measurement Canada to continue offering the service and potentially undermine Measurement Canada's stated strategy of increasing its reliance on ASP service provision in these trade sectors.¹

3.1.3 Observation #2 – Measuring of End-Client Satisfaction

The audit team observed that an opportunity exists for Measurement Canada to implement a set of end-client satisfaction performance indicators to adequately track end-client satisfaction with the services provided by accredited ASPs. In this case, the end-client is defined as the client who receives inspection or verification services for their devices from a Measurement Canada accredited ASP.

The audit team found that Measurement Canada has a process in place to measure ASPs' satisfaction with Measurement Canada. Measurement Canada currently measures its performance in providing accreditation services that meet or exceed ASP expectations through four key performance indicators focusing on adherence to client service standards, quality of audits, use of resources, and quality of accreditation organizations work. Performance information is reported to the Alternative Service Committee (ASC) twice annually (at mid-year and year end). After review by the ASC, these indicators are included in the Management Review Report which is reviewed and approved by the Senior Management Committee annually. Measurement Canada's criteria for success are service standard performance indicator results in the range of 70% to 90% and ASP evaluation results exceeding 90%. If results are consistently above or below this threshold, management investigates.

¹ Measurement Canada has a target date of January 1, 2007 to withdraw from initial inspection services in the Weights and Measures trade sectors where two or more ASPs exist in a given Province. In the Territories, Measurement Canada will no longer provide this inspection service if there are two or more ASPs in the adjoining provinces who provide the inspection service. Weights and Measures ASPs conducted 13% of inspections in 2004-05.

The audit team did not observe a process to track and measure end-client satisfaction with Accreditation services. Specifically, the information gathered and reported by Measurement Canada does not include a measure of end-client satisfaction for services provided by ASPs.

The risks associated with this issue are amplified by Measurement Canada's current ASP strategy. Specifically, before Accreditation was introduced, Measurement Canada clients would call the Measurement Canada district office when services were required. The end-client would receive inspection services directly from Measurement Canada. This allowed Measurement Canada staff to directly interact with the end-clients who received services and consequently to report end-client satisfaction issues directly to Measurement Canada district management. Under the current Accreditation process, Measurement Canada staff does not directly provide services to end-clients and consequently does not directly collect end-client satisfaction information. Currently, end-client satisfaction feedback is gathered using the general input form on the Measurement Canada web site. The audit team was informed that end-client satisfaction feedback for the Accreditation process has occurred once in the past year through the web site and once in the past two years through e-mail. Consequently, the design of the current end-client satisfaction measurement processes is reactive and does not provide Measurement Canada senior management with a level of assurance that potential end-client satisfaction issues are being adequately captured and reported to management.

The measurement of end-client satisfaction will be of increased importance to Measurement Canada as the TBS MAF continues to be applied in the federal public service. The MAF outlines expectations for effective public sector management and includes a component on Citizen-focused Service Delivery. Specifically, the MAF requires senior management to develop a measurement of client satisfaction and use the results to guide continued improvement in client satisfaction, along with a review of public-facing services to achieve measurement improvements in response to client needs. The design of a proactive end-client satisfaction measurement process would significantly address the requirements outlined in the Citizen-focused Service Delivery component of the MAF.

Process Specific Conclusion

The procedures, controls and activities observed by the audit team in the Accreditation process are adequately designed to address the key responsibilities assigned to Measurement Canada under its governing legislation; however, there are some opportunities for improvement in the monitoring and measuring of the process

Recommendations

The President of Measurement Canada should:

- Develop a process to proactively monitor and report to the ASP Committee and Senior Management Committee on the critical success factor that ASPs find Accreditation profitable.
- Develop a set of performance measurement indicators to track end-client satisfaction with the services provided by the accredited ASPs.

3.2 Registration Process

3.2.1 Process Description

In 2004, Measurement Canada uses a Registration process, similar to Accreditation, by which ASPs can become registered and perform measurement verifications on behalf of Measurement Canada. Participation in this program is voluntary. Measurement Canada monitors the performance of registered organizations to ensure ongoing conformance with established performance criteria.

During the audit, strengths in the areas of external consultation and coordination and documentation were identified. Specifically, process strengths were noted in the use of the Trade Sector review process to consult with individual trade sectors; and, detailed descriptions and documentation of business processes, roles and responsibilities. **Appendix A** provides a more detailed overview on the Registration process and its specific identified strengths.

3.2.2 Observation #3 – Consistent Service Delivery – Management Control Framework

This audit observed that Measurement Canada does not currently apply a similarly robust management control framework for the Registration process as is applied to the Accreditation process. Specifically, the Accreditation process activities are centralized in the regions and use a team-based approach, which has been identified as critical to the success of the Accreditation process. In the Accreditation process, each region has a Regional Accreditation Coordinator and full-time Measurement Canada accreditation auditors. In comparison, a similar central oversight and coordination activity for the Registration process was not observed.

For the Registration process, registration activities are managed at the District Office level and the registration approval task is performed by the District Manager. The District Manager, or a delegate, meets with the organization to review and to establish conformance with requirements. Measurement Canada uses a Granting Registration Checklist as a tool in ensuring appropriate skills sets are present in Registered ASPs. A QMS is not required to become a registered ASP. A technical specialist may also be involved in the assessment activity to determine the technical capabilities of the organization's technician staff. The District Manager is also responsible for the scheduling follow-up inspections of registered ASP technicians. As a result of the decentralization of Registration activities, an increased potential exists for the inconsistent application of Registration processes across the country.

With the Accreditation process, surveillance audits are included in the regional operational plan and the status of progress is tracked in MCIS and reviewed by the Vice President, Innovative Services Directorate (ISD). In comparison, the audit team was informed that Measurement Canada plans to track follow up inspections through MCIS; however, the design of this monitoring activity is still in progress. To date, there has been no formal review of Registration process controls. Measurement Canada senior management intends to start monitoring registration performance controls through a separate Management Review Report for the Registration process, starting in fiscal 2006-07. The tracking for the Registration process will be reviewed for the first time as part of Measurement Canada's QMS audit in 2006-07. The audit

team also observed the Registration process does not have a Recommendations for Effectiveness and Innovation process similar to that of Accreditation.

Process Specific Conclusion

The procedures, controls and activities observed by the audit team in the Registration process are adequately designed to address the key responsibilities assigned to Measurement Canada under its governing legislation; however, there are some opportunities for improvement in the level of oversight and monitoring.

Recommendation

The President of Measurement Canada should:

- Establish a management control framework and associated compliance monitoring plan necessary to ensure that the Registration process is conducted consistently across Canada.

3.3 Approval and Calibration Services Laboratory Process

3.3.1 Process Description

Measurement Canada has the responsibility to approve new measurement devices for use in trade in Canada according to set standards. In order to accomplish this, Measurement Canada examines all new devices and devices must pass a standard approval process before they can be used in the marketplace. Design changes to approved devices must also be reported to Measurement Canada for review and approval.

During the audit, strengths in the areas of consultation and coordination, adoption of ISO, and system support were identified. Specifically, strengths were noted in the use of consultation and coordination with the U.S. labs to harmonize efforts and reduce work duplication; plan to adopt ISO certification for the approval process; and, use of tailored systems to monitor progress and assist with decision making and performance reporting. **Appendix A** provides a more detailed overview of the Approval and Calibration Services Laboratory process and its specific identified strengths.

3.3.2 Observation #4 – Client Service Standard

This audit observed that the client service standard used by the Approval and Calibration Services Laboratory may not be appropriate for all of the work conducted in the labs. Specifically, the use of one service standard (90 days from date of acceptance to date of approval) for all device types certified through the labs may not provide senior management with an appropriate measure of lab effectiveness and may not provide external stakeholders with a reasonable expectation of service timeframes.

Currently, well established systems and processes are in place to allow Approval and Calibration Services Laboratory management to review and measure performance. The Approval and Calibration Services Laboratory measures and actively monitors progress of projects through the

Calibration and Approval Tracking System (CATS). CATS can produce mid-year and year-end reports used for identifying issues and for assisting senior management and technical coordinators in reviewing lab performance.

The audit team, however, observed that the 90 day service turnaround could be enhanced to more accurately reflect the diversity of the work of the labs and to provide a more meaningful measure of effectiveness to senior management and external stakeholders. The audit found that some lab approvals can take upwards of 2 years. Alternatively, some lab approvals require significantly less time than 90 days. Due to the complexity of the work involved and degree of client cooperation, the 90 day turnaround does not seem to be an adequate measure of lab performance.

The importance of this issue is further amplified because the Approval and Calibration Services Laboratory process is one in which Measurement Canada charges applicants for services provided. The application and use of reasonable performance standards would enhance Measurement Canada's ability to communicate expectations to its clients.

3.3.3 Observation #5 – Laboratory Human Resource Staffing Plan

The audit observed that Measurement Canada faces a significant human resources capacity risk associated with this process. Specifically, up to one third of the experienced technical staff, who are crucial to the approval process, are eligible to retire within three years. This was also identified by senior management as a significant risk to the organization.

Currently, Measurement Canada is experiencing similar capacity challenges across its workforce. In response to the *Public Service Modernization Act*, Measurement Canada has developed a three year Human Resources (HR) Plan that details the Measurement Canada strategy for a sustainable workforce. The plan highlights where Measurement Canada will focus over the coming three years in the areas of recruiting of a technical and skilled workforce, knowledge transfer from retiring/departing employees to his/her successor, and training and professional development of the workforce.

While a HR plan exists, the audit team observed that the plan is at a corporate level and does not explicitly address the requirements of the labs. The plan identifies anticipated movement of critical staff over a three-year planning horizon (2006-07 to 2008-09) and highlights that the Approval and Calibration Services Laboratory area is the most vulnerable; however, the plan does not outline a specific strategy for the lab. The audit team was informed there is an informal hiring plan to attempt to mitigate the risk of a resource shortage in the Approval and Calibration Services Laboratory. A formal, lab specific human resource plan has not been developed.

In the Approval and Calibration Services Laboratory, the risk of an aging workforce is furthered heightened by the current environment and recent industry trends. A challenge faced by the lab is there is typically a long delay to hire technical staff; this is an issue with public service hiring process, not the lab hiring process itself. In addition, provincial government deregulation initiatives can cause increases in the demand for lab services. More specifically, Measurement Canada has experienced an increase in demand for electrical meter device approvals because of deregulation initiatives. Currently, the lab is challenged to adapt to meet peaks in service demand when they occur.

Process Specific Conclusion

The procedures, controls and activities observed by the audit team in the Approval and Calibration Services Laboratory process are adequately designed to address the key responsibilities assigned to Measurement Canada under its governing legislation; however, there is an opportunity to improve client service standards and the laboratory human resource staffing plan.

Recommendation

The President of Measurement Canada should:

- Develop client service standards (e.g. by discipline, or device complexity) which reflect the complexity of the work involved in the approval process; and,
- Establish a lab-specific staffing plan which could include alternative staffing possibilities (e.g. contracting/outsourcing, job rotation/shadowing) for lab technicians within the context of the Measurement Canada Human Resources Plan.

3.4 Regulations, Specification and Policy Process

3.4.1 Process Description

Measurement Canada has the responsibility to approve and adopt new measurement standards for implementation in the Canadian marketplace.

During the audit, strengths in the areas of consultation with industry, internal coordination, and electronic communication were identified. Specifically, process strengths were noted in the use of consultation with industry to design a more collaborative process; coordination of functions within Measurement Canada to participate in Joint Working Groups in this area; and, design of a process to proactively ensure specifications and bulletins are posted electronically in a timely manner. **Appendix A** provides a more detailed overview of the Regulations, Specification and Policy process and its specific identified strengths.

3.4.2 Observation #6 – Informal Performance Indicators in Regulations, Specification, and Policy Process

Through interviews with stakeholders and through a review of process documentation, one opportunity for improvement in the area of performance measurement and management has been identified for the Regulation, Specification and Policy process.

The number of specifications and bulletins released by Measurement Canada varies from year to year as the issues and associated work is unique from situation to situation. On average, Measurement Canada typically releases 1 or 2 specifications and 3 to 5 bulletins in a year for the Electricity and Gas sector, and 1-2 additional specifications and bulletins in the Weights and Measures sector. Measurement Canada posts all approved specifications and bulletins onto its web site. Posting to the internet site is screened by a joint group consisting of the Senior

Program Officer, Manager, and Vice President of the Program Development Directorate (PDD), and other engineers, depending on the issue severity, technical complexity, and importance.

The Vice President of PDD, who is responsible for this process, does not have a set of performance indicators for the process of developing Policy Bulletins or Specifications. While developing performance indicators would be difficult because there is little commonality between individual specifications and bulletins, performance indicators are still possible. Indicators could be generated regarding the time it takes to review each file (between sign off from manager to approval from VP or President), or overall workload measures could be maintained, e.g. number of regulations, specifications, and policy bulletins under development (by discipline); and, aging of files.

Process Specific Conclusion

The procedures, controls and activities observed by the audit team in the Regulations, Specification and Policy process are adequately designed to address the key responsibilities assigned to Measurement Canada under its governing legislation; however, there is an opportunity for improvement in developing more formal performance indicators.

Recommendation

The President of Measurement Canada should:

- Develop more formal performance indicators for the Regulations, Specification and Policy process.

Appendix A – Process Overview and Strengths

The following section provides a more detailed overview of the specific processes and strengths with these processes that were identified during the audit.

A.1 Accreditation Process

Overview

Measurement Canada has the responsibility to verify measurement devices for use in trade in Canada according to set standards. In order to accomplish this, Measurement Canada uses an Accreditation and Registration process by which authorized service providers (ASPs) can become accredited or registered and perform measurement device verifications on behalf of Measurement Canada.

The Accreditation process begins when an ASP submits a formal application to become accredited. Measurement Canada reviews the application to ensure the scope of the request is appropriate given the Act's requirements and decides if external training is necessary for the ASP staff based on the criteria outlined for the specific type of measurement device. The purpose of external training is to provide staff of prospective ASPs the required technical and legislative expertise in order to perform the verifications.

Measurement Canada creates a training schedule, based on training needs, which is posted on the Measurement Canada website. Clients register for their required training courses and once a reasonable number of people have enrolled for a session, the session is formally scheduled. Measurement Canada uses internal National Technical Training Program (NTP) instructors to conduct the training and administer two examinations that trainees are required to pass; a written exam to assess the trainee's understanding of the application of the legislated requirements, and a practical test to evaluate their ability to test and verify the measurement device to which their accreditation application applies.

After training is received Measurement Canada conducts an ASP QMS Documentation Review. The QMS is the system the ASP will follow when verifying measurement devices in the marketplace. The ASP provides Measurement Canada with documentation describing the proposed QMS, which the Measurement Canada QMS audit team reviews and notes any deficiencies based on accreditation standards for that device. If the review is approved, it is signed off by a Measurement Canada Program Officer (PO) or Regional Accreditation Coordinator (RAC) and the PO/RAC marks the file as "approved" on MCIS. The ASP client is now able to perform accredited services; however, they cannot sign on behalf of Measurement Canada. ASPs who pass the Measurement Canada QMS review can conduct measurement device verifications under the Witness Inspection process under which Measurement Canada continues to oversee and observe the verification process. The devices must still receive an approval signature from Measurement Canada before they can be legally used in the marketplace.

The next step is for Measurement Canada to perform an audit of the ASP's QMS. The results of the audit are used to determine if the ASP should be recommended for full accreditation (i.e. the ASP would no longer require the Witness Inspection or sign off by Measurement Canada for verifications). The Measurement Canada QMS audit team creates an audit report based on its findings. The report is reviewed and approved based on report completeness and professional judgment by the PO/RAC.

The final step in the Accreditation process is to obtain final approval from Measurement Canada's President or Vice President, Innovative Services Directorate (ISD) in order to fully accredit an ASP. In this last step, the PO conducts an independent review to ensure all the appropriate steps documented in the process were completed and signs the review form. If everything is in order, an accreditation letter is drafted by the PO and forwarded to Measurement Canada's President or Vice President, ISD for signature/approval. Note that for 'Weights and Measures' clients, an accreditation agreement must be signed by the ASP in this final step.

The list of accredited service providers is updated on MCIS and the ASP is able to perform accredited services and can legally sign on behalf of Measurement Canada. The performance of accredited organizations is monitored by Measurement Canada on an ongoing basis to ensure ongoing conformance with established performance criteria.

Strengths

During the audit, strengths in the areas of continuous improvement and external consultation and coordination were identified. Specifically, the following practices are considered process strengths:

- **Innovative approach to continuous improvement.** The Recommendations for Effectiveness and Innovation (REI) system provides a mechanism for Measurement Canada to continually improve its performance in this process and enhance its control effectiveness. The REI allows employees of all levels to identify issues and suggest corrective or preventative action. The REI are summarized into a report that is generated for the VP, Innovative Services Directorate (ISD). The review of REI's issues, corrective action taken, and follow-up action is summarized in the Management Review Report which is reviewed annually by Measurement Canada's Senior Management Committee.
- **External consultation/coordination.** Measurement Canada has established mechanisms to solicit input from its end users and industry experts. This coordination and consultation helps ensure buy-in from stakeholders on new initiatives and a healthy relationship between Measurement Canada and the industry. One of the key mechanisms used is Trade Sector Reviews. These Trade Sector Reviews involve extensive consultation with stakeholders to obtain their input on the role of: Measurement Canada; manufacturers; service providers; business; and, consumers in how measurement accuracy is achieved and monitored in each sector. Measurement Canada uses the results of the Trade Sector Reviews to implement changes to its programs and services. This is a consultative process used by Measurement Canada to collect input from external

stakeholders regarding the need and desirability to enhance, diminish or change Measurement Canada's involvement in given trade sectors.

- **Marketplace Monitoring program.** Measurement Canada has designed this program to assess the measurement accuracy performance of the marketplace and the effectiveness of Measurement Canada's programs and services in achieving desired marketplace behaviour. This is accomplished by gathering, evaluating, and analyzing data resulting from inspections to determine where corrective action is necessary. The establishment of the Marketplace Monitoring program was one of the key stakeholder recommendations resulting from several completed sector reviews.

A.2 Registration Process

Overview

Measurement Canada uses a Registration process, similar to Accreditation, by which authorized service providers (ASPs) can become registered and perform measurement verifications on behalf of Measurement Canada.

Registration is very similar to Accreditation with two important differences. While both programs enable private sector organizations to verify measuring devices, accredited organizations must implement and maintain a QMS. In addition, accredited organizations can verify any device under the scope of their accreditation agreement regardless of the trade sector. For example, if the organization is accredited for the certification of truck scales, it can offer its services to the pulp and paper industry, the petroleum industry, or the grain industry. Registered organizations do not need a QMS, but can only certify devices for specific trade sectors.

The Registration process begins when registration applications are received. The District Manager meets with the client and assesses their conformance with the existing Measurement Canada requirements. During the meeting, the District Manager completes tasks found on the "Granting Registration Checklist". The District Manager must sign off on the checklist once it is completed. Next, the District Manager informs the client of any necessary changes it must make to its application and decides if training is necessary based on the device type requirements. The training process is identical to that found under the Accreditation process.

The District Manager then drafts the Registration Agreement, Request for Signature of Agreement, and the Granting Registration letter and forwards them to the Regional Director (RD) for approval, along with the Granting Registration Checklist. The Regional Director reviews the draft letters, Agreement, and Granting Registration Checklist, approves them if appropriate, and returns them to the District Manager. The District Manager then forwards the Request for Signature of Agreement letter and Agreement to the organization for signature. When the documents are returned to Measurement Canada, the District Manager sends the Granting Registration letter, the Agreement signed by the organization, and the Granting Registration Checklist to the President for signature. The Measurement Canada President signs, dates and sends the Granting Registration letter along with the Agreement to the organization and the District Manager inputs the information on MCIS. The organization is now fully

registered. Measurement Canada monitors the performance of registered organizations to ensure ongoing conformance with established performance criteria.

Measurement Canada conducts annual follow-up inspections of technicians' work to ensure that registered ASPs are conforming to standards. Measurement Canada also meets with the registered organization at least once per 12 months. The District Manager is responsible for the scheduling of follow-up inspections.

Strengths

During the audit, strengths in the areas of external consultation and coordination and documentation were identified. Specifically, the following practices are considered process strengths:

- **External consultation/coordination** - Through the Trade Sector review process, Measurement Canada consults with sector stakeholders to determine if and how to introduce registration into individual trade sectors. For example, the Registration Program is not offered in the electricity and natural gas sectors because, during reviews of these sectors, stakeholders indicated that they preferred an Accreditation Program. Alternatively, retail petroleum stakeholders requested a Registration Program.
- **Documentation** – Measurement Canada has detailed descriptions of its business processes, including roles and responsibilities and task details and has taken proactive steps to ensure that employees and other stakeholders can find well documented descriptions of tasks and operations. Approvals and authorities are also consistently defined for the Registration process.

A.3 Approval and Calibration Services Laboratory Process

Overview

Measurement Canada has the responsibility to approve new measurement devices for use in trade in Canada according to set standards. Design changes to approved devices must also be reported to Measurement Canada for review and approval. In order to accomplish this, Measurement Canada examines all new devices and devices must pass a standard approval process before they can be used in the marketplace.

To initiate the Approval and Calibration Services Laboratory process, an organization who wishes to have their device approved for use, submits a standard "Application for Approval" form to Measurement Canada that gives some basic details about the device. Once the form is received by Measurement Canada, a Technical Coordinator (TC) assesses the application to ensure that all the necessary information is included. If any information is missing, the TC (or a delegate) contacts the organization and requests further information. When all the necessary information is received for the application, the TC selects a sample device and requests that it be sent to the Approval and Calibration Services Laboratory for evaluation. The examination and testing will start when the Measurement Canada Approval Examiner (AE) becomes available (e.g. the device reaches its turn in the queue of devices to be evaluated). The AE then identifies

all non-compliance instances with specific approval criteria found in the Acts and notifies the applicant of their nature. The applicant has between 30 to 60 days to resolve the non-compliance instances before the application testing is considered stopped and the application for approval is closed and loses its place in the queue. This is sometimes negotiable based on complexity of the non-conformances identified, or when the approval applicant is an agent for a device manufacturer and additional time is required for the agent and the manufacturer to resolve the non conformances. If the device is in full compliance with the criteria, the AE drafts a “Notice of Approval” (NOA) and sends the draft NOA to the applicant for review and comments. Subsequently, all of the test data and the finalized NOA is evaluated by a Measurement Canada engineer who has been delegated the authority to determine whether to grant approval for the measurement device’s use in the marketplace. Once approval is granted, the NOA is sent to interested parties and published on Measurement Canada’s web site.

Strengths

During the audit, strengths in the areas of consultation and coordination, adoption of ISO, and system support were identified. Specifically, the following practices are considered process strengths:

- **Consultation/coordination** – The Approval and Calibration Services Laboratory works closely with the U.S. labs (especially for mass measurement devices) to harmonize efforts and reduce work duplication. Measurement Canada lab staff are trained on testing requirements for both the U.S. and Canada. While waiting for test results or resolution of non-conformances identified during testing at the Approval and Calibration Services Laboratory, Canadian approval examiners will review U.S. testing results and prepare NOAs to be filed under the mutual agreement. This approves the device for use in Canada.
- **Adopting ISO** - The audit team was informed the labs are moving to ISO certification (ISO17025) and plans to certify the approval processes for volume and gas (target completion 2007). Lessons learned as a result of the achievement of ISO certification and associated benefits will be evaluated to improve the implementation of ISO certification in the mass and electricity laboratories. A targeted implementation date for the mass and electricity laboratories will be determined as part of this evaluation. Other Measurement Canada processes such as Accreditation and Registration that follow ISO standards exhibit practice strengths in documentation of process and roles and responsibilities. The Approval and Calibration Services Laboratory will also benefit from the application of the ISO philosophy.
- **System Support** – The CATS is used by the Approval and Calibration Services Laboratory process to monitor progress and generate reports for management for the purpose of decision making and performance reporting.

Note that the revenue process for the Approval and Calibration Services Laboratory was investigated during the Conducting Phase of the audit. While the majority of Measurement Canada’s revenue is generated by the inspections and verifications conducted in the regions

(\$1.05M of total \$1.94M for fiscal 2004-05), during the Conducting Phase, the audit team was informed that Measurement Canada has publicly announced a target date of January 1, 2007 to withdraw from the provision of initial inspection services in the Weights and Measures trade sectors where two or more ASPs exist in a given Province. In the territories, Measurement Canada will no longer provide this inspection service if there are two or more ASPs in the adjoining provinces who provide the inspection service. With inspection revenue expected to decline, the second most significant revenue source for Measurement Canada is the Approval and Calibration Services Laboratory process (\$403K in 2004-05). Consequently, the audit team decided to review documentation and conduct interviews with Measurement Canada staff directly involved in the revenue component of the Approval and Calibration Services Laboratory process. The result of this investigation was that no issues were found.

A.4 Regulations, Specification, and Policy Process

Overview

Measurement Canada has the responsibility to develop, approve and adopt new or modify existing measurement standards for implementation in the Canadian marketplace.

This process begins when an employee encounters a macro-level measurement issue, either through his/her work, industry contacts or observing international publications. The employee describes the issue to a Program Officer (PO) who determines whether it should be documented, and a Manager approves whether resolving the issue should be pursued.

The Manager identifies who will perform the project work and who will be consulted. The PO uses the "Measurement Canada Initial Impact Issue Filter" to determine the level of consultation required. The issue will be declared one of:

- High impact – requiring a high resource level, a Joint Working Group (JWG) composed of engineers, policy specialist, industry representatives, and others;
- Medium – requiring substantial resources and consultation of internal and external sources; or,
- Low – little resources required and no need for consultation, simply communication. The PO then prepares an action plan outlining key activities, milestones and target dates. The planning details are subsequently posted on the internet site using a template.

Once the planning phase is complete, the PO commences the development of the new regulations. The PO will draft the regulatory document after JWG consultation (if high impact), then consults internal and external stakeholders to review the draft and provide feedback (if medium or high impact). The PO then reviews the feedback with the JWG and revises the draft accordingly. Next, the PO solicits input from Industry members regarding the anticipated impact that the implementation of the regulatory document could have on their operations and identifies the associated training needs. Finally, the PO determines the appropriate effective date for the regulatory document.

When the document is completed, the PO sends the final draft to the Manager and the Vice President for a final review and approval. Measurement Canada then posts the regulatory document, its impacts, training needs, and effective date using a template on Measurement Canada's internet site and sends the automatic notification to Lyris subscribers. Lyris is a third party vendor system which is used to send out emails, notices, and bulletins to both internal and external subscribers to keep them up to date with regards to any changes within Measurement Canada, or its processes. At the beginning of each quarter, Measurement Canada prepares an e-mail showing all the regulatory documents that will become effective at the upcoming issue date and sends the message to Measurement Canada Regional Directors and all ASPs.

Note: the Weights and Measures sector has a separate process that is managed by the Manager, Weighing and Measuring. The Weights and Measures process follows very similar steps, with the key exception being that there is no "issue impact filter". The process to determine the level of consultation required is less formal in structure compared with the electricity and natural gas sectors. The Weights and Measure process has consultation with stakeholders during the document creation phase.

Strengths

During the audit, strengths in the areas of consultation with industry, internal coordination, and electronic communication were identified. Specifically, the following practices are considered process strengths:

- **Consultation with industry** – Measurement Canada regulation setting is influenced by ISO standards and international recommendations. Regulations are also influenced by trade sectors, and industry associations such as the Canadian Electricity Association (CEA) and Canadian Gas Association (CGA). The recently adopted, more collaborative method used in the electricity and natural gas sectors is the result of Trade Sector Review process and collaboration with industry. The new approach invites all interested parties who bring differing viewpoints to the process. Two examples of industry consultation are the Advisory Groups and the OIML:
 - Electricity Policy Advisory Group / Gas Policy Advisory Group: the committee is composed of three or four members with representation from Industry (accredited organizations, contractors and/or their advocacy groups or associations) and Measurement Canada. The mandate of EPAC and GPAC is to facilitate the implementation and administration of an issue resolution process. The EPAC / GPAC meet twice a year. The meeting minutes are posted on the web. The last meeting was in January 2006.
 - International Organization of Legal Metrology: The OIML sets technical requirements for measurement through Technical Committees and Sub-Committees of Technical Committees. The President of Measurement Canada is also the President of OIML. Through its participation on OIML committee meetings, Measurement Canada has a process to annually review the work of the technical committees and assess the impacts of proposed changes on the Canadian market

place. Measurement Canada also has the opportunity to influence requirements for international accepted model laws, advocate Canadian stakeholders' views and to assess the impacts of proposed requirements on stakeholders and the Canadian marketplace.

- **Internal coordination** - Internal coordination is achieved by having groups within Measurement Canada, who are responsible for the business process, sit on the Joint Working Groups and provide input for new regulations. For example, the Joint Working Group that develops new regulatory standards also develops approval specifications for the Approval and Calibration Services Laboratory. Measurement Canada groups are also consulted when complex issues are raised.
- **Electronic Communication and Internet site** – Measurement Canada has a process to proactively ensure specifications and bulletins are posted in a timely manner to the Measurement Canada web site and distributed via email to external stakeholders. Measurement Canada posts new regulatory documents, its impacts, training needs, and effective date using a template on Measurement Canada's internet site and sends an automatic notification to Lyris subscribers.

Appendix B – Planning Phase

The primary objective of the Planning Phase of this audit was to gather high-level information regarding Measurement Canada's performance in relation to the MAF. The MAF was used as an analytical framework to identify potential audit areas for detailed audit review and testing in the Conducting Phase. Note that detailed testing and/or corroborative procedures were not undertaken during the Planning Phase of the audit. The purpose of gathering this data was to enable the development of a focused audit work plan and audit program for the remainder of the audit. The results of the Planning Phase do not represent assurance findings and should not be used to draw conclusions regarding the design or effectiveness of controls.

The scope of audit activities undertaken during the Planning Phase included limited documentation review and conducting interviews with selected Measurement Canada personnel. The following is a summary description of each area explored, the processes in-scope, and observations for each MAF element reviewed.

B.1 Public Service Values

Description: Through their actions, departmental leaders continually reinforce the importance of public service values and ethics in the delivery of results to Canadians (e.g. democratic, professional, ethical and people values).

Key Business Processes In-Scope: Developing and communicating the vision, mission, values and ethics program; monitoring value and ethics performance; and, providing a redress/recourse process for employees.

Observations:

- Measurement Canada has developed its own mission, vision and values. These are widely circulated to staff and management. Specifically, these statements are posted on the Measurement Canada intranet and can be found in numerous internal documents (e.g., the Strategic Plan, the Annual Regional Operational Work Plans, the HR Strategic Resourcing Plan, etc.). Additionally, regional and headquarter leadership have hosted employee roundtables regarding Measurement Canada's strategic priorities and have developed and circulated FAQs to assist employees in interpreting Measurement Canada's strategic priorities, mission, vision and values.
- A formal Measurement Canada process does not exist for employees to report ethical incidents or pose ethical questions; however, it is our understanding that Measurement Canada is participating in the Industry Canada Internal Disclosure of Wrongdoing Program.
- Consensus existed among interview participants that the ethical conduct of Measurement Canada employees is key to the successful delivery of its mandate.

- Measurement Canada's mission is communicated to its ASPs; however, the vision and values are not communicated to the ASPs.
- Measurement Canada participated in the 2002 and 2005 Public Service Employee Surveys. At the time of the Planning Phase of this report, survey results were not yet available for the 2005 survey. The results relating to values in the 2002 Public Service Employee Survey were mixed.
- Interview participants noted that some managers include Measurement Canada's values as part of the criteria used to evaluate staff performance.

Planning Phase Summary

Indications exist that Measurement Canada has a combination of formal and informal processes in this area. It is our understanding that Measurement Canada is participating in Industry Canada initiatives to continue to improve its effectiveness in this area (e.g., participation in Industry Canada's Internal Disclosure of Wrongdoing Program). Therefore, it was determined that it would not be beneficial to conduct further audit work in the next phase of this audit.

B.2 Governance and Strategic Direction

Description: The essential conditions - internal coherence, corporate discipline and alignment to outcomes - are in place for providing effective strategic direction, support to the minister and Parliament, and the delivery of results.

Key Business Processes In-Scope: Strategic and annual planning (priority setting and alignment with Government of Canada priorities, resource allocation linked to priorities); environmental scanning; and, management improvement programs.

Observations:

- Measurement Canada does not have a formal strategic planning process; however, Measurement Canada has undertaken activities at the senior management level to review and refine Measurement Canada's strategic direction, first in 1996 and again in 2000. A regular review cycle and formalized process has not been established for the review and refinement of Measurement Canada's strategic direction.
- Measurement Canada has a robust and comprehensive annual planning process that includes both financial and non-financial information. Specifically the process combines cost, performance and risk-based information to ensure resources are aligned with corporate priorities.
 - Cost Information: A newly developed costing model provides information on the cost of delivering individual programs and services. The 2006/07 planning cycle will be the first time this model is used in the annual planning process.

- Performance Information: The Standard Tracking and Reporting System (STARS) information system provides performance information related to the effectiveness of Measurement Canada services delivered in individual trade sectors. This information is used by Regional Directors in the development of Annual Regional Operational Plans.
- Risk Information: The newly created Market Monitoring program provides information based on the results of inspections, the accuracy performance of the sectors and conduct of other environmental scans, which will allow the Senior Management Committee to understand the performance of each of the trade sectors currently regulated by Measurement Canada and where resources and programs should be targeted. The 2006-07 planning cycle will be the first time this model is used in the annual planning process.
- Measurement Canada's strategic priorities are explicitly linked to the Measurement Canada annual plan.
- Measurement Canada has a defined annual planning process. Specifically:
 - The process is initiated through the development of a National Priorities document by the Senior Management Committee. Once complete, this document is approved by the President.
 - This document and further planning guidance is sent to the Regions and Divisions for input into their annual planning activities.
 - Each Region and Division develops its own Annual Operational Work Plan. The work plans are based on Measurement Canada templates and include the following sections: opportunities and challenges; human resources; work plan priorities and key activities; communications plan; and, critical success factors. Budgets included in the work plans are based on previous year's actual expenditures.
 - Each Region and Division submits their Annual Operational Work Plan to the Director, Marketing and Business Operations.
 - The Regional and Divisional Operational Work Plans are reviewed and challenged by the Director of Management Services (from a human resources, training and financial perspective) and the Director, Marketing and Business Operations (from a resource utilization, program planning in support of national priorities perspective).
 - The Regional and Divisional Operational Work Plans are amalgamated into one Measurement Canada Annual Plan. The priorities in the Measurement Canada Annual Plan cascade into the performance agreements of the President and all senior managers at Measurement Canada.

- A defined and documented annual capital planning process exists: vehicles, technical equipment, and IT applications and infrastructure. This process is centrally managed by the Director of Management Services and is co-coordinated with the regions. A Management Committee decides upon the allocation of the capital budget.
- In parallel to the capital planning process, Measurement Canada has a defined Unfunded Pressures process. This process allows for Regional and Divisional managers to request additional funds for special projects and initiatives in support of national priorities that are included in their operational plans (can include O&M and salaries). Unfunded Pressures requests are approved by the President and, with the exception of the Senior Management Committee review, follow the same timing and process as the capital planning process. Measurement Canada has approximately \$2 million to allocate to capital acquisitions and Unfunded Pressures requests.
- Measurement Canada has a defined process for both forecasting and in-year reallocations. The process is managed by the Director of Management Services and is coordinated with the regions. Documented authorities for approving mid-year reallocations were not observed.
- The forecasting process is managed by the Director of Management Services. In September of each year, Measurement Canada senior managers send the Director of Management Services monthly budget forecast reports. The Director reviews the reports and makes reallocation decisions based on requests from individual managers. This process is followed monthly until year-end. Reallocation decisions are approved by the President and are made with the knowledge and consent of individual managers.
- Through the conduct of Trade Sector Reviews and Marketplace Monitoring, Measurement Canada conducts multiple environmental scanning activities which are an input to planning.
- The Accreditation program has a formal management improvement process in place called Recommendations for Effectiveness and Innovation (REI). REI is a formal management improvement process for the Accreditation program. All employees have access to a system that allows them to make recommendations for improvement to the program. A management review of recommendations is conducted at least annually.

Planning Phase Summary

Indications exist that Measurement Canada has numerous formal and informal processes in this area. In addition, it is our understanding that Measurement Canada is in the process of implementing two significant improvements to its annual planning process for the 2006-07 planning cycle. It is also our understanding that Measurement Canada contributes to the overall Industry Canada business planning process. Therefore, it was determined that it would not be beneficial to conduct further audit work in the next phase of this audit.

B.3 Policy and Programs

Description: Departmental research and analytic capacity is developed and sustained to assure high quality policy options, program design and advice to ministers.

Key Business Processes In-Scope: Policy development, advice and consultation (includes the establishment of standards and the creation of program delivery policy).

Observations:

- Measurement Canada has to respond to authorities delegated to it from two primary Acts: the “*Weights and Measures Act*” and the “*Electricity and Gas Inspection Act*”.
- Measurement Canada’s policy-related activities are conducted by staff in the Engineering, Innovative Services, and Program Development divisions of Measurement Canada. Policies and programs are established in three primary areas:
 - For the creation, clarification and review of standards associated with the *Weights and Measures Act* and *Electricity and Gas Inspection Act*.
 - For the implementation of recommendations resulting from the Trade Sector Review. Currently through Trade Sector Reviews, Measurement Canada is undertaking a 10 year process to determine the level of Measurement Canada intervention in each of the 39 Trade Sectors in which trade measurement occurs. This process includes a review of all Measurement Canada services linked to Measurement Canada’s authorities outlined in both the *Weights and Measures Act* and *Electricity and Gas Inspection Act*.
 - For the creation of policy and standards for the Accreditation and Registration programs, in relation to its authorities outlined in the in the *Weights and Measures Act* and *Electricity and Gas Inspection Act*.
- The process for creating and revising standards under the Act is documented. The document includes key decision points and the identification of staff and management responsibilities at each step of the process.
- A clearly defined and well documented process exists for Trade Sector reviews, which are a key input into Policy formulation activities.
- The ASP business model was created by the Innovative Services Group. The accreditation program is ISO certified, therefore, clear policies and procedures are well documented and tested. Similar rigor is applied to the Registration program which has been operational for only two years.
- Consensus existed among those interviewed that Measurement Canada has the capacity to fulfill its policy requirements.

- Growth of the Accreditation and Registration Programs and the number of ASPs authorized to verify measurement devices on Measurement Canada's behalf, performing sector reviews to determine the level of intervention required by Measurement Canada, and harmonizing Canadian legislated requirements with internationally accepted model laws has been the primary focus of Measurement Canada in the past five years.

Planning Phase Summary

Measurement Canada's role as a regulator enhances the importance of Measurement Canada's key business process. Further audit work could be conducted in the Conducting Phase to assess both the design of Measurement Canada's processes in place to deliver on its mandated responsibilities and ensuring that Measurement Canada's mandate is being appropriately fulfilled. This would provide assurance to Measurement Canada and Industry Canada management regarding the appropriateness of these processes and supporting controls.

B.4 People

Description: The department has the people, work environment and focus on building capacity and leadership to assure its success and a confident future for the Public Service of Canada.

Key Business Processes In-Scope: HR planning; succession planning; diversity planning; retention planning; personal planning; and employee survey.

Observations:

- Measurement Canada has been recognized by Industry Canada for implementing comprehensive, effective and leading edge HR practices and processes.
- Measurement Canada has an employee recognition program in place to motivate employees and recognize their achievements. Awards offered include Employee of the Year Award, the Merit Award and the Peer Recognition Award.
- A Strategic Resourcing Plan was developed to ensure that Measurement Canada has continuity of executive, management and professional talent, capable of achieving the business objectives of the organization. Succession planning for both the staff and management levels are included in this plan.
- Measurement Canada has developed a Technical Inspector (TI) Recruitment & Development Program that seeks to recruit individuals who have the qualifications needed to fill entry-level positions and to develop them to a level of competency that permits them to deliver the full range of working level duties.
- Measurement Canada has developed competency profiles for every position in the organization. The profiles are used to define the knowledge, skills, abilities and aptitudes that are required by an employee for a particular job or function.

- Performance agreements are established and are tied to key commitments in the annual business plan. Performance agreements include management expectations and priorities for the year and are cascaded through the organizational hierarchy to the director level.
- Measurement Canada managers participate in the department's 360 degree feedback exercise which enables managers to obtain employees' views of their strengths and weaknesses regarding specific management practices. Through individual coaching and follow-up, managers are given the opportunity to address their development objectives and to improve their management practices via an action plan.
- Measurement Canada maintains a workforce profile on historical and projected workforce movements. The projected retirements and departures are forecasted out to three years and include the maximum and minimum expected departures and retirements. Historically, retirements and promotions have decreased while departures and hires have increased. An increase in retirements and departures is projected over the next three year period.
- Industry Canada established a Survey Advisory Committee (SAC) which was responsible for understanding and acting upon the results of the 2002 Public Service Employee Survey. The SAC was chaired by a survey response champion and had representatives from all sectors and smaller branches. The SAC achieved its mandate and was disbanded. The idea of creating a Measurement Canada specific management committee to respond to the 2002 survey was discussed by the Senior Management Committee. The idea was not enacted as Measurement Canada opted to participate in the broader Industry Canada initiative. Industry Canada's approach to responding to the results of the 2005 Public Services Employee Survey has not been announced, however, Measurement Canada does plan to participate in the departmental process.
- There is a Staffing and Work Force Adjustment Instrument of Delegation in force at Industry Canada (and therefore at Measurement Canada). The document outlines the levels and any applicable limits or conditions for those levels with regards to recruiting and staffing.

Planning Phase Summary

Indications exist that Measurement Canada has numerous formal and informal processes in this area. In addition, it is our understanding Measurement Canada has been recognized by Industry Canada for implementing comprehensive, effective and leading edge HR practices and processes. Therefore, it was determined that it would not be beneficial to conduct further audit work in the next phase of this audit.

B.5 Citizen-Focused Service

Description: Services are citizen-centred, policies and programs are developed from the "outside in", and partnerships are encouraged and effectively managed.

Key Business Processes In-Scope: Service quality management (developing service improvement plans; establishing client satisfaction targets and measurement); coordinating external communication; planning and managing partnerships; and, delivering Government On-Line (GoL) objectives.

Observations:

- Due to the operational nature of Measurement Canada, there is limited opportunity to deliver services on-line (e.g. inspections, calibration of equipment, and testing of new prototypes cannot be performed on-line); however, an extensive array of information is posted on Measurement Canada's website. For example, service information is posted on the website along with information on Trade Sector Reviews, ASPs, approvals, and the Trade Sectors that Measurement Canada regulates.
- Measurement Canada has completed one GoL project that focused on moving all forms on-line and included an on-line complaint mechanism.
- Measurement Canada makes extensive use of its website to proactively communicate with all its stakeholders. Any interested party can register to receive information on new, or changes to existing, rules and requirements, policies, procedures, programs and services, and the status of Trade Sector reviews.
- Measurement Canada also uses the Trade Sector Review process to communicate with its external stakeholders. Specifically, this is an extensive consultation process used by Measurement Canada to collect input from external stakeholders regarding the need and desirability of Measurement Canada to enhance, diminish or change its involvement in given Trade Sectors.
- Client service standards exist and are noted on Measurement Canada's website. Examples include that calibration certificates will be issued within 60 calendar days of receipt of the standard and that inspections will be performed within 10 calendar days of receipt of the request.
- Performance standards are tracked by the responsible manager and are reported to the Senior Management Committee at year-end.
- The quality of services provided is not consistently measured and tracked across all programs.
 - There is a process in place to measure ASPs satisfaction with Measurement Canada.

- A process does not exist to measure the satisfaction of clients who received services from ASPs.
- A process does not exist to measure the satisfaction of clients regarding the services provided by Measurement Canada inspectors in the field.
- A process does not exist to monitor client satisfaction for the services provided by the labs.

Planning Phase Summary

While Measurement Canada is beginning to develop mechanisms to gauge high level satisfaction with the delivery of its services, currently, Measurement Canada has relatively few formal mechanisms or processes to proactively measure client satisfaction with the delivery of its services and programs. It was determined that it would not be beneficial to conduct further audit work in the next phase of this audit.

B.6 Risk Management

Description: The executive team clearly defines the corporate context and practices for managing organizational and strategic risks proactively.

Key Business Processes In-Scope: Enterprise risk framework; risk profile; enterprise or business unit level risk assessments; and, risk training and communications.

Observations:

- Measurement Canada does not have a formal risk profile or a risk framework in place; however, a Measurement Canada representative does sit on the Departmental Committee with responsibility for risk management.
- Formal risk management tools and training are not provided to staff and management. Although there is no risk framework in place, Measurement Canada does consider risk in strategic decisions. The process is informal and documentation is not always maintained.
- While not defined as a risk management process, Measurement Canada does conduct activities that are closely aligned with risk management concepts and principles, as follows:
 - Through Trade Sector Reviews, Measurement Canada determines its level of intervention in each of the sectors in which trade measurement occurs. These decisions are made in part by risk factors prevalent in individual trade sectors. Additionally, consultation with external stakeholders is a vital component of this process.

- Through the new Marketplace Monitoring program Measurement Canada will attempt to annually link the assignment of resources with risk information regarding individual Trade Sectors. Specifically, this program will assess the effectiveness of Measurement Canada's involvement in given Trade Sectors and Measurement Canada will subsequently use this information to adjust its involvement/intervention in the same Trade Sectors.

Planning Phase Summary

While Measurement Canada has two high-level risk management processes, an overall integrated risk management framework or program was not observed. Measurement Canada recognizes this as an area for future development. Given the lack of a formal integrated risk management framework or program, it was agreed that further audit work focusing on the Risk Management component of the MAF would likely yield little new insight or assurance for Measurement Canada.

B.7 Stewardship

Description: The departmental control regime (assets, money, people, services, etc.) is integrated and effective, and its underlying principles are clear to all staff.

Key Business Processes In-Scope: FAA compliance to Sections 32, 33, 34; policy compliance and monitoring; risk based internal audit planning; specialist functional advice provided to management in decision making; business continuity planning; control self-assessment; and, quality management.

Observations:

- Audit services are provided to Measurement Canada through Industry Canada. Industry Canada has a risk-based multi-year audit plan, but there is no Measurement Canada-specific audit plan. Based on discussions with Measurement Canada management, relatively few audits have been conducted on Measurement Canada.
- Currently, Measurement Canada is in the process of transferring authority and responsibility for its IT function to Industry Canada. This includes infrastructure services, helpdesk services and application development and maintenance services.
- There is no business continuity plan currently in place for Measurement Canada. Interview participants stated that Industry Canada standards do not require Measurement Canada to develop a business continuity plan.
- Financial authority and responsibilities are based on Industry Canada's delegation of authorities' document.
 - It was noted that an individual within Measurement Canada was exercising Sections 32, 33 and 34 FAA for Measurement Canada Headquarter transactions,

increasing the risk of improper segregation of duties. This issue was identified through an audit of Departmental Financial Controls, which was underway at the time of this audit. Management has taken measures to address this issue, the details of which can be found in **Appendix B** of this report.

- With respect to financial processes, payments greater than \$2,000 and payments under \$2,000 that are deemed to be sensitive (e.g. travel, hospitality) are subject to a full Section 33 review prior to payment. Non-sensitive payments under \$2,000 and credit card payments are reviewed on a post-payment sample basis, which is conducted by the Corporate Comptrollership Branch.
- With respect to stewardship over assets:
 - A fleet management policy is in place which outlines acceptable use of Measurement Canada vehicles. Additionally, employees who are assigned a Measurement Canada vehicle are required to sign an authorization form which confirms that they understand the policy and will comply with its terms. In addition, vehicle kilometre use is tracked and reported to district managers for their review and to identify unexpected usage patterns. The Director of Management Services also received an annual vehicle usage report that is reviewed stewardship related issues.
 - Measurement Canada has an active vehicle fleet of over 180 vehicles. This is a significant portion of Industry Canada's overall vehicle fleet.
- Measurement Canada collects user fees for some of the services it provides to its clients. In FY 2004-05 Measurement Canada collected over \$1.9M in user fees.

Planning Phase Summary

Internal Audit at Industry Canada recently conducted an audit of Departmental Financial Controls that included Measurement Canada within scope. According to Internal Audit at Industry Canada, the audit of equipment and capital assets will be included in future department-wide audits. Consequently, it was determined that it would not be beneficial to conduct future audit work in these areas in the Conducting Phase of this audit. Additionally, it was agreed that although no issues were observed in the Planning Phase, a review of the revenue process would be conducted since it was part of the Lab Approval process that was selected for review in the Conducting Phase. The results of that review are included in **Appendix A.3**.

Note that before the completion of this audit, Measurement Canada reported to the audit team that Measurement Canada's Management Services Directorate (MSD) has implemented new procedures to ensure a proper segregation of Sections 33 and 34. The issue raised in the Industry Canada financial controls audit related to the improper application of the Responsibility Centre Assistant (RCA) concept within the Directorate.

Measurement Canada reported to the audit team that effective April 1, 2006, additional fund centres were created in MSD and new Responsibility Centre Managers (RCM) were identified

with authority for Section 34. As well, the RCAs within MSD no longer exercise Section 34 on behalf of any Measurement Canada manager. Section 34 approval is now performed directly by the RCM or his/her own RCA. In the case of payments authorized by the Director, MSD, Section 33 is performed directly by the President of Measurement Canada to ensure proper segregation of duties.

B.8 Accountability

Description: Accountabilities for results are clearly assigned and consistent with resources, and delegations are appropriate to capabilities.

Key Business Processes In-Scope: Performance agreement establishment and monitoring; and, communication, updating and monitoring of delegated authorities.

Preliminary Observations:

- There was a clear consensus among interviewees that accountabilities are clearly documented and communicated. Measurement Canada personnel stated that job descriptions exist for all positions at Measurement Canada.
- Measurement Canada follows the Industry Canada Delegation of Financial Authorities.
 - Financial Authorities training is provided to HQ staff by the Director of Management Services or a staff member of this business unit.
 - Financial Authorities training is provided to regional Measurement Canada staff by Industry Canada financial management staff in the regions.
 - A documented process exists outlining the management actions to be taken when an employee leaves the employment of Measurement Canada. The process does not include removing the delegated authorities' specimen card from Industry Canada records. Additionally, it is unclear if a similar process exists in the regions.
- There is a Non-EX Staffing and Work Force Adjustment Instrument of Delegation in force at Industry Canada (and therefore at Measurement Canada). The document outlines delegated staffing authorities for Industry Canada and all of its portfolio organizations. The document outlines delegated authorities for staffing actions by management level and outlines applicable limits or conditions associated with those authorities. While Measurement Canada staff at the EX-2 level generally have delegated staffing authorities, it was noted by interview participants that Measurement Canada staff typically work closely with Industry Canada HR staff throughout the recruitment and hiring process.

- Performance agreements are established and are tied to key commitments in the annual business plan. Performance agreements include management expectations and priorities for the year and are cascaded through the organizational hierarchy to the manager level.
- Specific accountabilities resulting from Measurement Canada's governing Acts were identified. No formal processes for monitoring compliance with these accountabilities are in place at Measurement Canada currently.

Planning Phase Summary

Indications exist that Measurement Canada has clearly documented and communicated accountabilities. Measurement Canada uses Industry Canada-based delegation of authorities instruments. Therefore, it was determined that it would not be beneficial to conduct further audit work in the next phase of this audit.

B.9 Results and Performance

Description: Relevant information on results (internal, service and program) is gathered and used to make departmental decisions, and public reporting is balanced, transparent, and easy to understand.

Key Business Processes In-Scope: Results-based management (performance measurement framework, monitoring, and reporting), RPP & DPR development and submission; and program evaluation.

Preliminary Observations:

- Measurement Canada does not produce a separate Departmental Performance Report (DPR) from the Industry Canada DPR. Measurement Canada does contribute content for inclusion in the Industry Canada DPR. Measurement Canada has two separate Program Activity Architecture performance measures that are reported in the Industry Canada DPR.
- Measurement Canada does not produce an annual report outlining performance against the Measurement Canada Annual Plan.
- A mid-year review process exists where Regional and Divisional work plans are reviewed by the President to assess results against priorities and plans. Mid-year reports provided by the Regions and Divisions are reviewed by the Director of Marketing and Business Operations. If required, these reports are validated against performance information contained in Measurement Canada's various information systems.
- The discussion of financial results compared with planned results is not regularly conducted by Senior Management Committee.

- Through the conduct of Trade Sector Reviews and the Marketplace Monitoring program, Measurement Canada conducts active environmental scanning activities which provide evaluative feedback on its performance.
- Detailed performance information is tracked by Measurement Canada. The following summarizes the key information collected:
 - Performance information regarding field operations (e.g., number of inspections, outcomes of inspections, resources applied to inspections) is collected through STARS.
 - Performance regarding the Accreditation program (e.g., results of accreditation program compliance audits) is collected through the MCIS.
 - Performance information regarding activities conducted by the labs is collected through two systems: CATS and Device Testing and Certification System (DTCS).
- The information collected in these systems is used by individual divisional and regional managers and is, in part, used in the annual planning process. However, a performance scorecard does not exist to aggregate this information for regular monitoring and review.
- Individual divisional and regional managers have access to Measurement Canada's financial system and produce their own monthly financial reports. These reports typically include the following information for salary, capital and O&M budgets: budget; actual expenditures; planned commitments; hard commitments; soft commitments; forecasts; and, variances. General consensus existed among interview participants that financial information is readily available and timely.
- The use of staff surveys in monitoring and improving performance is addressed through the People section of the audit, section 7.4.

Planning Phase Summary

Indications exist that Measurement Canada has numerous formal and informal processes in this area. Additionally, it is our understanding that the challenge role in the performance reporting process, fulfilled by the Director of Marketing and Business Operations, is still maturing. Therefore, it was determined that it would not be beneficial to conduct further audit work in the next phase of this audit.

B.10 Learning, Innovation and Change

Description: The department manages through continuous innovation and transformation, promotes organizational learning, values corporate knowledge, and learns from its performance.

Key Business Processes In-Scope: Learning and development, innovation; change management; and, knowledge management.

Preliminary Observations:

- Measurement Canada personnel have stated that Measurement Canada has developed competency profiles for every position in the organization. The profile is used to define the knowledge, skills, abilities and aptitudes that are required by an employee for a particular job or function. Learning and development requirements have been identified for each position.
- The Agency has developed and implemented a formal developmental program to ensure that entry level Technical Inspectors receive the appropriate training and acquire the necessary skills and knowledge prior to being promoted to the working level.
- Through the pursuit of an ASP agenda, Measurement Canada has demonstrated a willingness to be innovators in the delivery of services.
- The Senior Management Committee takes an active role in the management of change within the organization. For example, the management of change is a frequent agenda item of the Senior Management Committee, and senior management regularly travels to the regions for staff discussions. Additionally, on more than one occasion, senior management has developed FAQs for staff to clarify strategic direction and clarify the change to ASPs.

Planning Phase Summary

Indications exist that Measurement Canada has numerous formal and informal processes in this area. Therefore, it was determined that it would not be beneficial to conduct further audit work in the next phase of this audit.

B.11 Planning Phase Conclusion

Upon completion of the Planning Phase of this audit, it was determined that a review of the design of the processes and controls associated with Measurement Canada's core business would provide the Audit and Evaluation Unit of Industry Canada with a enhanced understanding of the controls designed in Measurement Canada's core business activities and possibly provide Measurement Canada with practical opportunities to strengthen the design of the processes and controls.

Appendix C – Audit Criteria

The following criteria were agreed for the Conducting Phase of this audit and are based on the Canadian Institute of Chartered Accountant's Criteria for Control framework.

For each of the business processes reviewed, the audit team expected that:

- Control activities should be designed as an integral part of the organization, taking into consideration its objectives, the risks to their achievement, and the inter-relatedness of control elements.
- Performance should be monitored against the targets and indicators identified in the organization's objectives and plans.
- Management should periodically assess the effectiveness of control in its organization and communicate the results to those to whom it is accountable.
- Authority, responsibility and accountability should be clearly defined and consistent with an organization's objectives so that decisions and actions are taken by the appropriate people.
- People should have the necessary knowledge, skills and tools to support the achievement of the organization's objectives.
- The decisions and actions of different parts of the organization should be coordinated.

Appendix D – Management Action Plan

RECOMMENDATION	MANAGEMENT RESPONSE AND PROPOSED ACTION	RESPONSIBLE OFFICIAL/GROUP	ACTION COMPLETION DATE
3.1 Accreditation Process			
<p>The President, Measurement Canada should:</p> <ul style="list-style-type: none"> Develop a process to proactively monitor and report to the ASP and Senior Management Committee on the critical success factor that ASPs find Accreditation profitable; and, 	<p>Measurement Canada believes that it is important that ASPs consider the Accreditation Program viable (i.e., capable of working successfully) as opposed to profitable (which can be interpreted in terms of a monetary return on investment only). In many cases, participation in the Accreditation Program contributes to improved flexibility (e.g., the ability to certify electricity meters at the company's convenience as opposed to waiting for a Measurement Canada inspector) or a competitive advantage (e.g., the ability to provide certification services in addition to service/repair services).</p> <p>It is agreed that understanding the critical success factors necessary to attract and retain ASPs is important as the use of ASPs to perform device certifications is key to the successful achievement of Measurement Canada's strategic priorities. However, Measurement Canada must balance the viability of the Accreditation Program for ASPs with the need to ensure Program criteria are sufficiently demanding so as to permit only organizations capable of delivering quality, comprehensive certification services to participate.</p> <p>Measurement Canada will develop a process that proactively identifies and monitors the continued viability of the Accreditation Program and report the results to ASPs and the Senior Management Committee.</p>	<p>Vice President, Innovation Services</p>	<p>September 28, 2007</p>

RECOMMENDATION	MANAGEMENT RESPONSE AND PROPOSED ACTION	RESPONSIBLE OFFICIAL/GROUP	ACTION COMPLETION DATE
3.1 Accreditation Process (cont'd)			
<ul style="list-style-type: none"> Develop a set of performance measurement indicators to track end-client satisfaction with the services provided by the accredited ASPs 	Measurement Canada will develop measures of end-client satisfaction with the services provided by both accredited and registered ASPs and use the information to guide continuous improvement of program delivery.	Vice President, Innovative Services Director, Marketing and Business Operations	September 28, 2007
3.2 Registration Process			
The President of Measurement Canada should: <ul style="list-style-type: none"> Establish a management control framework and associated compliance monitoring plan necessary to ensure that the Registration process is conducted consistently across Canada. 	Measurement Canada has already begun to establish a management control system and compliance monitoring program. An internal audit and management review process has been instituted. An REI (Recommendations for Effectiveness and Innovation) process and program service standards will be developed.	Vice President, Innovative Services	April 3, 2007

RECOMMENDATION	MANAGEMENT RESPONSE AND PROPOSED ACTION	RESPONSIBLE OFFICIAL/GROUP	ACTION COMPLETION DATE
3.3 Approval and Calibration Services Laboratory Process			
<p>The President of Measurement Canada should:</p> <ul style="list-style-type: none"> Develop client service standards (e.g. by discipline, or device complexity) which reflect the complexity of the work involved in the approval process; and Establish a lab-specific staffing plan which could include alternative staffing possibilities (e.g. contracting/outsourcing, job rotation/shadowing) for lab technicians within the context of the Measurement Canada Human Resources Plan. 	<p>Measurement Canada agrees that changes to the Approval service standards are required to better reflect the complexities involved in the approval process. Measurement Canada will investigate the benefits that could be derived from the establishment of service standards based on measurement discipline or approval application complexity (Phase 1) and implement modifications necessary to enhance monitoring of approval service delivery in relation to service standard performance targets (Phase 2).</p> <p>It is agreed that the aging demographic and the specialized skill requirements of staff are such that priority must be given to laboratory staffing in next few years. Alternative staffing approaches have and will continue to be used. The Measurement Canada's Human Resources Plan articulates the challenges faced by the laboratories and its staffing requirements. The Plan will elaborate on specific laboratory requirements when necessary.</p>	<p>Vice President, Engineering and Laboratory Services Director, Marketing and Business Operations</p>	<p>Phase 1: January 31, 2007</p> <p>Phase 2: June 29, 2007</p>
3.4 Regulations, Specification and Policy Process			
<p>The President of Measurement Canada should:</p> <ul style="list-style-type: none"> Develop more formal performance indicators for the Regulations, Specification and Policy process. 	<p>The need for formal performance indicators will be investigated. Where it is demonstrated that benefits and continuous process improvements can be realized through performance measurement, indicators will be established.</p>	<p>Vice President, Program Development Director, Marketing And Business Operations</p>	<p>September 28, 2007</p>