



# AUDIT OF MEASUREMENT CANADA FINAL AUDIT REPORT



**AUDIT AND EVALUATION BRANCH**  
**FEBRUARY 2017**

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Departmental Audit Committee on February 23, 2017

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## LIST OF INITIALISMS AND ACRONYMS USED IN REPORT

<b>AEB</b>	Audit and Evaluation Branch
<b>AMPs</b>	Administrative Monetary Penalties
<b>ASP</b>	Authorized Service Provider
<b>FAPA</b>	<i>Fairness at the Pumps Act</i>
<b>ISED</b>	Innovation, Science and Economic Development Canada
<b>IT</b>	Information Technology
<b>MC</b>	Measurement Canada
<b>MMP</b>	Marketplace Monitoring Program
<b>ORA</b>	Online Reporting Application
<b>RT</b>	Recognized Technician

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# 1.0 EXECUTIVE SUMMARY

## 1.1 INTRODUCTION

Measurement Canada (MC) is a special operating agency within the Small Business, Tourism and Marketplace Services Sector of Innovation, Science and Economic Development Canada (ISED). Its mandate is to ensure the integrity and accuracy of trade measurement in Canada through the administration and enforcement of the *Weights and Measures Act*, the *Electricity and Gas Inspection Act*, and related regulations.

The Agency protects Canadians against loss due to inaccurate measurement at all levels of trade. MC maintains domestic and international consumer and business confidence in the accurate measurement of goods and services bought and sold on the basis of measure in Canada. It achieves this by ensuring that measuring devices used in trade meet legislative standards for accuracy and performance.

For fiscal year 2015-16, MC had 278 employees and a budget of approximately \$27 million.<sup>1</sup> The Agency is divided into five directorates, three regional offices and 16 offices located across Canada, and its headquarters and laboratory test facilities are located in Ottawa.

The *Fairness at the Pumps Act* (FAPA), which came into force on August 1, 2014, enhanced MC's enforcement capability by enabling the use of higher and new court-imposed fines as well as Administrative Monetary Penalties. Changes exclusive to the *Weights and Measures Act* introduced new mandatory inspection frequencies and legislated the current use of non-government inspectors to perform inspections.

## 1.2 AUDIT OBJECTIVE AND SCOPE

The objective of this audit was to provide assurance that Measurement Canada's activities support the effective administration of the legislation governing trade measurement.

The audit scope focused on Measurement Canada's management control framework in place from April 1, 2015 to May 31, 2016, including:

- Governance and Risk Management
- Internal Controls
- Change Management

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<sup>1</sup> Report on Plans and Priorities, Industry Canada, 2015-16.

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## 1.3 OVERVIEW OF AUDIT RESULTS

### Strengths

MC has established a management control framework where roles and responsibilities are defined and communicated, key decision-making mechanisms are in place, and a structured model is used for mandatory technical inspection training.

Key controls to support the administration of the legislation governing trade measurement are in place as it pertains to the identification and tracking of trade devices in use. As well, key controls exist to monitor Authorized Service Providers (ASPs) who are designated to inspect and certify weighing and measuring devices and electricity and natural gas meters for use in trade measurement as part of MC's Alternative Service Delivery Program.

Complaint mechanisms are in place and are publicly available, and processes exist to ensure that MC investigates consumer complaints of inaccurate measure and disputes between purchasers and sellers of electricity and natural gas. Further, the Agency has contributed to the innovative administration of the legislation governing trade measurement through its participation in legislation harmonization and standardization activities with the international community, as well as through the development of specifications and requirements for the approval and use of new technologies in the Canadian marketplace.

### Areas for Improvement

Some opportunities for improvement were identified by the audit:

- **Risk Management:** Measurement Canada would benefit from a formal approach to risk management. A plan which identifies, assesses and mitigates key risks should be developed and updated annually.
- **Marketplace Monitoring:** The Agency should document and communicate the processes and methodology for its Marketplace Monitoring Program (MMP), develop performance measures, and monitor and report on MMP activities to better assess industry compliance.
- **New Enforcement Measures:** MC should finalize its enforcement framework to reflect the new measures enabled by FAPA, and develop and deliver related training.
- **Change Management:** The Agency should develop and implement a national communication strategy for its new enforcement measures and mandatory inspections, targeting both internal and external stakeholders. Further, MC should establish a process for the monitoring and reporting of service standards related to consumer complaints and disputes.

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## 1.4 AUDIT OPINION AND CONCLUSION

Based on the audit findings, our opinion is that some key elements to support the administration of legislation governing trade measurement are in place. However, improvements should be made to activities related to the new enforcement measures, including finalizing the enforcement framework, as well as Measurement Canada's Marketplace Monitoring Program. In addition, there are opportunities to strengthen risk management and monitoring and reporting of service standards.

## 1.5 MANAGEMENT RESPONSE

Management has agreed with the findings included in this report and will take action to address all recommendations by March 31, 2018.

## 1.6 STATEMENT OF CONFORMANCE

This audit was conducted in accordance with the Internal Auditing Standards for the Government of Canada, as supported by the results of the Audit and Evaluation Branch's quality assurance and improvement program.

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Michelle Gravelle

Chief Audit Executive, Innovation, Science and Economic Development

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# 2.0 BACKGROUND

## 2.1 PROGRAM OVERVIEW

Measurement Canada (MC) ensures 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. It has sole jurisdiction with respect to the administration and enforcement of the *Weights and Measures Act* and the *Electricity and Gas Inspection Act*. In the course of administering these statutes, MC provides a wide variety of services in five core areas:

1. **Calibration of Measurement Standards:** MC calibrates and certifies standards of mass, length, volume, pressure, temperature and various electrical quantities, so that measurement in domestic and international trade will be uniform. These standards form the basis of all trade measurement in Canada.
2. **Approval of Measuring Instruments:** MC tests prototype measuring instruments for compliance with legislated requirements to ensure that they are capable of measuring accurately under normal conditions of use and throughout their service lifetime. For those that comply, MC certifies and approves them for retail and commercial use.
3. **Inspection, Certification and Enforcement:** MC inspectors inspect and certify devices to ensure that they measure accurately and are not used fraudulently. When inaccurate measurement or fraudulent activity is found, MC uses a graduated enforcement approach to resolve non-compliance including warning letters and removal of device from service until corrective actions are taken.
4. **Dispute and Complaint Investigation:** MC investigates complaints it receives from those who suspect they have received inaccurate measurement or are dissatisfied with the results of their measurement transaction and takes corrective actions to resolve non-compliance.
5. **Oversight of Authorized Service Providers:** MC designates Authorized Service Providers (ASPs) the authority to inspect and certify weighing and measuring devices and electricity and natural gas meters for use in trade measurement transactions. The Agency monitors these organizations on a regular basis to ensure they continue to maintain the necessary inspection competencies and are certifying devices and meters correctly.

The Agency is divided into five directorates, three regional offices and 16 offices located across Canada, and its headquarters and laboratory test facilities are located in Ottawa. With a budget of approximately \$27 million in fiscal year 2015-16 and 278 employees, the Agency delivers its services in a decentralized manner where 75% of its workforce is involved in direct service delivery in the regions.

During fiscal year 2015-16, the Agency issued 23,000 measurement standards certificates based on calibration activities which support uniform measurement in the marketplace and approved 400 prototype devices. Through work carried out in the regions, MC performed over 4,000 oversight activities on the inspections done by Authorized Service Providers and approximately

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15,000 marketplace monitoring inspections, as well as investigated over 1,400 complaints.

Through its inspection activities, Measurement Canada reported that, for 2016, the compliance rate for accuracy of the measuring devices in use in the eight marketplace sectors subject to mandatory inspection frequencies was 93%.

## 2.2 RECENT DEVELOPMENTS

### Regulatory Changes

The *Fairness at the Pumps Act* (FAPA) came into force on August 1, 2014. The Act had the objective of strengthening consumer protection against losses due to inaccurate measurement, by making retailers more accountable for the accuracy of their devices and including appropriate deterrence against measurement inaccuracy.

The FAPA enabled amendments to the *Weights and Measures Act* and the *Electricity and Gas Inspection Act*, resulting in updates to related regulations. Key changes included: increased court-imposed fines (from \$1,000 to \$10,000 for minor offences and from \$5,000 to \$25,000 for major offences); new court-imposed fines of up to \$50,000 for repeat offences; and the introduction of an Administrative Monetary Penalties System (with civil monetary penalties ranging from \$250 for each minor violation up to \$2,000 for each serious violation).

In addition, the Act amended certain provisions of the *Weights and Measures Act* to establish a legal obligation for device owners to have their devices inspected and certified in accordance with established frequencies (e.g. scales, gas pumps), and enable the designation of non-government inspectors (known as Authorized Service Providers) to conduct mandatory inspections.

Mandatory inspections apply to the following trade sectors: retail petroleum, wholesale petroleum, retail food, mining, grain and field crops, dairy, forestry and fishing. Frequencies of inspection vary by trade sector and by type of device, from every year to every five years.

### Alternative Service Delivery (ASD) Program

Changes to the *Weights and Measures Act* facilitated Measurement Canada's Alternative Service Delivery (ASD) Program's ability to recognize Authorized Service Providers (ASPs) to inspect and certify scales, gas pumps and other measuring devices. The authority to recognize ASPs to inspect and certify electricity and natural gas meters was already stipulated under the *Electricity and Gas Inspection Act*.

As part of the ASD Program, all ASPs and their Recognized Technicians (RTs) must successfully complete applicable MC training and evaluations



**Authorized Service Providers as of  
May 31, 2016:**

- 52 organizations have delegated authority to verify electricity and gas meters in Canada
- 162 organizations have delegated authority to perform inspections of measuring devices in Canada, including 621 Recognized Technicians

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before they can inspect and certify measuring devices. ASPs and RTs are required to report all inspection results, including non-compliant devices, to MC and are not authorized to take any enforcement actions.

As a result of the new mandatory inspection requirements under the *Fairness at the Pumps Act*, the number of annual inspections was expected to increase from an average of 42,000 to an estimated 290,000 inspections per year by August 2017. The objective of this three-year phased-in approach was to minimize the risk that all devices would be due for recertification at the same time. Further, the goal was to reduce the potential for peak inspection demand periods, which could result in inspection service cost increases for device owners due to the high demand for ASPs to perform mandatory inspections.

### Progress since FAPA

Since the introduction of the *Fairness at the Pumps Act*, Measurement Canada has focused its efforts on the implementation of mandatory inspection frequencies. In support of the transition to the new legal requirement for businesses to have their devices certified in accordance with established frequencies, Measurement Canada enhanced its ISO registered alternative service delivery management systems to assist with the development of a national network of ASPs. Through this network, device owners now have a choice when hiring an ASP to perform a mandatory inspection.

During the period of August 1, 2014 to January 31, 2017, the number of ASPs increased by 30%, from 178 to 232 ASPs. The number of recognized technicians employed by ASPs increased from 455 to 661 recognized technicians, a 45% increase.

## 2.3 PREVIOUS AUDIT WORK

An audit of the selected business processes within Measurement Canada was conducted in 2006 by the Audit and Evaluation Branch (AEB) with the objective of documenting the responsibilities and authorities placed on Measurement Canada from the *Electricity and Gas Inspection Act* and the *Weights and Measures Act*, and assessing the design of key business processes, monitoring, and controls in place by Measurement Canada to address key responsibilities under its governing legislation.

The audit resulted in four recommendations in the areas of the accreditation process, registration process, approval and calibration process, and regulations process. All recommendations were closed prior to the commencement of the present audit engagement.

## 2.4 AUDIT BACKGROUND (OBJECTIVE, SCOPE AND METHODOLOGY)

In accordance with the approved ISED 2015-16 to 2017-18 Multi-Year Risk-Based Audit Plan, AEB undertook an audit of Measurement Canada.

### Audit Objective

The objective of this audit was to provide assurance that Measurement Canada's activities support the effective administration of the legislation governing trade measurement.

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## Audit Scope

The audit scope focused on Measurement Canada's management control framework in place from April 1, 2015, to May 31, 2016, including the following areas:

- Governance and Risk Management
- Internal Controls
- Change Management

Based on the risk assessment performed during the audit planning phase, the following areas were excluded from the scope of the audit:

- Controls in place to identify and track natural gas and electricity meters, as meter population data reporting to MC is not legally required.
- Marketplace monitoring activities related to electricity and natural gas, as this area was subject to less significant changes following FAPA, such as mandatory inspections and ASPs, which were already in place for natural gas and electricity meters.

## Methodology

The audit was conducted in accordance with the Internal Auditing Standards for the Government of Canada. Sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the conclusion and opinion provided and contained in this report. This opinion is based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria that were validated with management. This opinion is applicable only to the areas examined and within the scope described herein.

Based on the identified risks, AEB developed the audit criteria and sub-criteria linked to the overall audit objective (see Appendix A).

The methodology used to address the audit's objective included:

- Review of MC's documentation and processes;
- Conduct of 33 interviews with MC personnel and management;
- Conduct of two walk-throughs of MC's systems, the Online Reporting Application and the Measurement Canada Information System; and
- Data analysis.

All of the audit evidence gathered through the above noted processes was synthesized, analyzed and supports the audit findings presented throughout this report.

A debrief meeting was held with MC senior management on January 19, 2017 to validate the findings that form the basis of this report. This meeting also provided the auditee an opportunity to offer any additional information/clarification regarding the findings.

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# 3.0 FINDINGS AND RECOMMENDATIONS

## 3.1 INTRODUCTION

This section presents detailed findings from the audit of Measurement Canada (MC). The findings are based on evidence and analysis from both the initial risk assessment and the detailed audit work.

In addition to the findings below, AEB has communicated to management findings for consideration that were either non-systemic or not directly related to this audit's objective and criteria.

## 3.2 GOVERNANCE AND RISK MANAGEMENT

Governance practices are in place and risk management activities are carried out in an informal manner. There is an opportunity for MC to strengthen its approach to risk management.

### Governance

MC has established a management control framework where roles and responsibilities are defined, and decision-making mechanisms are in place. The key decision-making mechanism is MC's Senior Management Committee (SMC) comprising the President, Vice-Presidents, Director of Marketing and Business Operations, and Regional Directors.

A structured model is used for mandatory training of MC's technical inspection staff as part of the Technical Inspector Recruitment and Development Program. Furthermore, MC has a formal training approach for Authorized Service Providers (ASPs) who have been designated with authority to perform inspections.

### Risk Management

Risk management involves having an effective approach to risk identification, assessment and response, and periodically updating risks and their management in accordance with the organization's risk tolerance. The approach is expected to be documented and carried out at a senior management level to ensure a common understanding and application, particularly as it helps inform strategic planning and decision-making.

MC's risk management at an organizational level is informal, ad-hoc and occurs mainly through the SMC. It was found that there was no formal assessment of organizational risks, as well as the risks associated with implementation of the new enforcement measures.

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With respect to MC's information technology (IT) risks, in recognition of its changing program delivery model and legacy information technology applications, MC is participating in an exercise with ISED's Chief Information Office. The objective is to determine MC's business and technology trends, how MC is evolving and what information technology capabilities will be required in five years. However, MC did not carry out a structured or formal assessment of the risks associated with its IT prior to this exercise.

In addition, MC's risk management of human resources is informal, renewal-focused, and occurs in an ad-hoc manner at both the national and regional level. While MC actively hired inspectors using a coordinated recruitment approach during the audit scope period, there was no evidence of formal succession planning or talent management at the national level.

Without a structured national approach to risk management, key risks may not be identified and managed, impacting the achievement of MC's objectives.

### **Recommendation 1**

**Measurement Canada should develop a plan which identifies, assesses and mitigates key risks, and update the plan annually.**

## 3.3 INTERNAL CONTROLS

### Identification and Tracking of Trade Devices

Measurement Canada has key controls in place to help ensure the identification and tracking of trade devices in use to support the administration of the *Weights and Measures Act* and regulations.

MC's Online Reporting Application (ORA) is a web-based application used by MC inspectors as well as ASPs' Recognized Technicians to report the results of measuring device inspections and issue device examination certificates as applicable. The application is also used to update data pertaining to trade devices such as their location, status, and trade sector usage.

It was found that ORA has automated controls to support the identification and tracking of trade devices and related mandatory training is delivered to ORA users. Guidance material and ORA help desk support is also available to support the appropriate identification and tracking of trade devices.

### Monitoring of Authorized Service Providers

Measurement Canada has key controls in place to monitor Authorized Service Providers and Recognized Technicians as part of the Agency's Alternative Service Delivery Program.

Through the Agency's Alternative Service Delivery (ASD) program, an Authorized Service Provider (ASP) can be accredited or registered through the delegation of specific legal authorities. The main differences between these two programs are as follows:

- An accredited organization must have a quality management system in place which meets the requirements of MC's accreditation standard. Inspection services provided by

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accredited organizations can be performed in all marketplace sectors for electricity and natural gas and weights and measures.

- A registered organization is not required to have a quality management system. As a result, there is more frequent MC monitoring of RTs working for a registered organization. The scope of the inspection services which registered organizations can provide is limited to certain marketplace sectors pursuant to the *Weights and Measures Act* and regulations.

MC's ASD program for accreditation and registration meets the requirements of the International Standard of Organization 9001 2008 Quality Management Systems, where MC is to carry out the ASD program through the use of formal processes in compliance with the quality objectives defined for the program.

Furthermore, MC evaluates ASPs on a regular basis to ensure they carry out their duties in accordance with legislation and maintains an oversight function for the inspection process. Key activities of MC's monitoring approach include on-site audits and meetings with ASPs and their RTs; audits and follow-ups on inspections carried out by RTs; and enforcement actions of ASPs and RTs when necessary, which may include suspension.

MC's oversight activities of ASPs and RTs are documented, available to MC staff, and include roles and responsibilities, process flows, and supporting forms and templates to be used. MC also monitors its own progress pertaining to ASP oversight at both a regional and national level. The ASD standing committee is a key decision-making mechanism for the ASD program, where status and results of ASP oversight activities are reported, and performance indicators for the ASD program, including ASP oversight, are in place.

### Marketplace Monitoring Program

MC has a Marketplace Monitoring Program (MMP) in place to monitor industry compliance with laws and regulations. However, there is a lack of program documentation supporting the design and operation of MMP activities and not all planned MMP activities took place. Further, performance indicators have not been established and reporting and monitoring of MMP activities is informal and ad-hoc.

Measurement Canada's Marketplace Monitoring Program (MMP) provides information on the state of industry compliance in the marketplace with respect to measurement-based financial transactions. This allows MC to contribute to a level of confidence for businesses and consumers by evaluating the overall status of accuracy and equity in the marketplace, detecting problems and taking appropriate corrective action, including enforcement.

MC inspectors carry out MMP activities, which comprise nationally directed unbiased device examination and specific projects. Unbiased device examination involves MC inspections of a pre-determined percentage of device populations in trade sectors where mandatory inspection frequency exists as well as where it does not. Specific projects vary from year to year and may involve MC inspectors carrying out targeted device inspections in certain trade sectors, monitoring of non-compliant devices for enforcement, data collection for MMP planning, and

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trader education. MMP activities can also lead to enforcement actions against traders and device owners.

Plans for MMP activities were provided by MC headquarters to the regions at the beginning of each fiscal year and were made available to MC management and staff via MC's intranet. These activities took into consideration the mandatory inspection frequencies prescribed by the *Weights and Measures Act* and related regulations.

It was found that for fiscal year 2015-16, MC planned to carry out their unbiased device inspections by geographical area to avoid situations where devices due for mandatory inspection would also be examined by MC. As well, MC planned to reduce the target percentage for unbiased device examinations in trade sectors subject to mandatory inspection frequency, and conversely increased emphasis on unbiased device inspection in trade sectors not subject to mandatory inspection frequency.

Although plans for MMP activities existed, there was a lack of clearly defined and documented program policies, methodologies, and processes to demonstrate how these activities were established and prioritized, as well as how MMP activities were to be carried out in support of a national approach. Further, not all of the planned MMP activities were fully carried out during fiscal year 2015-16, namely due to MC's focus on the implementation of mandatory inspections under the *Fairness at the Pumps Act* and ASP oversight. As a result, MC's MMP may not have been as effective in detecting problems and taking appropriate action, including enforcement, to contribute to a level of confidence in the marketplace for both businesses and consumers.

Furthermore, there were no defined processes for monitoring and reporting on MMP activities, which could result in the untimely detection of issues, particularly given that unbiased device examination targets were not all met and specific projects were not fully carried out. Lastly, there are no performance indicators for MMP activities, hindering MC's ability to assess the program's performance in strengthening overall compliance in the marketplace.

## **Recommendation 2**

***MC should document and communicate the processes and methodology for its Marketplace Monitoring Program (MMP). In addition, monitoring of MMP activities should be performed to better assess industry compliance, and performance indicators should be developed and reported on.***

## New Enforcement Measures

Measurement Canada is in the process of updating its enforcement framework. However, no guidelines or procedures have been developed to facilitate the interpretation and application of the new enforcement measures, including Administrative Monetary Penalties, and associated training material has not been developed.

In order to promote trade measurement compliance in the marketplace, MC uses a legislated escalation approach to enforcement. This approach consists of using a number of enforcement tools, such as education, warning letters, device seizures, Administrative Monetary Penalties (AMPs), and court-imposed fines.

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The *Fairness at the Pumps Act* (FAPA), which came into force on August 1, 2014, enhanced MC's enforcement capability by enabling the use of higher and new court-imposed fines as well as AMPs. As such, if the instance of non-compliance found is listed as a violation in the *Weights and Measures Regulations* or the *Electricity and Gas Regulations*, an AMP may be considered.

MC's enforcement framework is in the process of being updated, as the current framework does not include the new enforcement tools enabled by FAPA. It was found that there was a lack of defined guidelines and procedures, as well as defined roles and responsibilities, for MC's new graduated enforcement measures. In addition, there is no central repository for enforcement measures taken by MC and no mechanisms are in place to track, report, and monitor enforcement at an Agency-wide level. Finally, an implementation plan has not been developed.

An interim informal escalation model is in place with respect to MC's use of AMPs, and decisions to proceed with an AMP are centralized at HQ, with regions being responsible for collecting information that will inform the decision-making process. To facilitate the implementation of AMPs, MC launched an AMPs pilot phase. With no official start or defined end date, this pilot phase was anticipated by some MC staff to be completed by summer 2016 with lessons learned to be considered in an updated framework.<sup>2</sup>

With respect to awareness, while MC management and staff were generally aware of the new enforcement authority as a result of FAPA, their understanding varied regarding MC's plan and approach to implement AMPs as a new enforcement tool, guidance and tools to be used, and how non-compliance matters outside of the AMPs pilot phase were to be addressed. Further, no training material has been developed for MC inspectors on the new enforcement measures.

Having documented roles, responsibilities, tools and procedures would help ensure consistency in the understanding and timely application of these new measures. Furthermore, by enabling the timely issuance of AMPs, the deterrent character of this enforcement measure is enhanced, which could lead to a decrease in non-compliant trade devices in the marketplace. Finally, training for MC inspectors on new enforcement measures enabled by FAPA could result in more instances of non-compliance being identified and reported to MC in a manner and timing that supports the application of MC's new enforcement authorities.

### **Recommendation 3**

***Measurement Canada should finalize its enforcement framework, which should include:***

- ***Roles, responsibilities, and authorities for enforcement activities;***
- ***Policies, procedures, and supporting tools to interpret and apply new enforcement measures; and***
- ***Tracking, reporting, and monitoring requirements for enforcement activities.***

### **Recommendation 4**

***Measurement Canada should develop and deliver training for MC inspectors on the new enforcement measures enabled by the Fairness at the Pumps Act.***

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<sup>2</sup> From August 1, 2014 to May 31, 2016, two AMPs were issued by MC in the precious metal trade sector.

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## 3.4 CHANGE MANAGEMENT

### Communication of Changes

While some communication activities have taken place, these activities were limited. An overarching strategy to communicate with internal and external stakeholders is needed.

The key changes arising from the amendment of the *Weights and Measures Act* and the *Electricity and Gas Inspection Act* included the following:

- Introduction of new enforcement measures;
- Establishment of new mandatory inspection frequencies in specific trade sectors; and
- Formalization of the authority to delegate performance of mandatory inspections to third-party private sector Authorized Service Providers (ASPs).

Prior to the coming into force of the amendments, information sessions were held for MC employees and ASPs. These information sessions focused on mandatory inspections under the *Weights and Measures Act* and related regulations. In addition, there was a dedicated area on MC's external website where information related to the new mandatory inspections was provided for consumers, device owners, and ASPs.

During the audit scope period, communication activities regarding these changes were limited. MC relied largely on its external website to share information, including brochures that ASPs could print and hand-out to businesses and device owners. There was no additional communication material developed for MC's internal stakeholders (employees) and external stakeholders (consumers, device owners and ASPs).

Further, MC relied on its inspectors and ASPs, who are at the forefront of performing mandatory inspections and identifying instances of non-compliance, to inform device owners of the changes. However, MC did not provide corporate direction on how and when to inform these device owners. Directorates and regions acted independently in contacting known device owners to inform them of the introduction of new mandatory inspection frequencies.

Having an overarching communication strategy for the new enforcement measures and mandatory inspections would help to ensure consistent application and increase public awareness of the new requirements and complaint mechanisms in place.

#### **Recommendation 5**

***Measurement Canada should develop and implement a communication strategy for its new enforcement measures and mandatory inspections, targeting both internal and external stakeholders.***

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## Complaint Mechanisms

Complaint mechanisms are in place, and service standards for these complaint mechanisms exist and are publicly available. However, Measurement Canada does not monitor or report on these standards.

MC investigates consumer complaints of inaccurate measure and disputes between purchasers and sellers of electricity and natural gas when a party to the transaction suspects their natural gas or electricity meter is not measuring correctly.

Processes are in place to help ensure that when complaints and disputes are received, they are investigated and results are communicated to the parties involved. There are several communication channels through which consumer complaints and disputes can be submitted to MC, such as a 1-800 phone number, district offices, and online via MC's external website. Forms and instructions are available on the MC website and service standards are in place with respect to the communication of complaints and dispute results.

MC tracks the number of days between complaints and disputes being submitted and the time the investigation has taken to complete. Analysis of data provided by MC demonstrated that the service standard of 15 business days was met approximately 70% of the time for complaints and 95% of the time for disputes. However, no evidence of monitoring or reporting on these service standards, either at the national or regional level, was found.

Not monitoring the service standards pertaining to consumer complaints and disputes related to electricity or natural gas could result in inadequate consumer support and disputes resolution between purchasers and sellers respectively.

### **Recommendation 6**

***Measurement Canada should establish a process for the monitoring and reporting of service standards pertaining to consumer complaints and disputes between purchasers and sellers of electricity and natural gas.***

## Opportunities to Support Innovation

Measurement Canada has contributed to the innovative administration of the legislation governing trade measurement through its participation in legislation harmonization and standardization activities with the international community, as well as through the adoption of new technologies and systems.

MC has contributed to the innovative administration of the legislation governing trade measurement through both its participation in the international metrology community and the use of Authorized Service Providers (ASPs) following the coming into force of the *Fairness at the Pumps Act*.

MC's participation in the International Organization of Legal Metrology (OIML) mutual recognition system helps improve Canada's access to other countries' markets by reducing the costs of device evaluation and approval. It also ensures that Canadian industry perspectives and device

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performance characteristics are being represented when considering new, or revisions to existing, regulations and standards. As well, through MC's participation in the U.S. National Conference on Weights and Measures, the American National Standards Institute and the Institute of Electrical and Electronics Engineers meetings, MC is able to identify and act upon opportunities to achieve efficiencies, facilitate trade activities and harmonize trade requirements. Finally, by maintaining working relationships with industry associations, MC is able to discuss existing and proposed regulatory requirements and amendments such as new or revised specifications, bulletins, and procedures.

During fiscal year 2015-16, MC enabled the introduction of a new measurement technology not previously used in the Canadian forest industry. Rather than following the traditional approach of drafting proposed requirements and then consulting with stakeholders, MC used a more innovative approach, which consisted of working collaboratively with the Canadian Standards Association, provincial government officials, log scanner manufacturers, mill operators and other forestry industry stakeholders to develop the requirements to evaluate the log scanner devices and their performance.

Following the adoption of the ASP model enabled by FAPA, there was an increase of 23 ASP organizations and 110 Recognized Technicians designated to carry out inspections and certifications pursuant to the *Weights and Measures Act* from fiscal year 2014-15 to fiscal year 2015-16, resulting in a 52% increase in the number of completed mandatory inspections. As well, the launch of the Online Reporting Application (ORA) in 2015-16 strengthened the Agency's capacity to support weights and measures mandatory inspections. The ORA self-service web-based data entry portal, used by ASPs and MC, replaced the manual paper-based MC data entry approach allowing for real-time, self-service data entry and reporting.

### 3.5 MANAGEMENT RESPONSE AND ACTION PLAN

The findings and recommendations of this audit were presented to the President of Measurement Canada, the VP of Program Development and the Director of Marketing and Business Operations. Management has agreed with the findings included in this report and will take action to address all recommendations by March 31, 2018. Notably, the President of MC will:

- develop a plan which identifies, assesses and mitigates key risks, and update the plan annually;
- document and communicate the processes and methodology for its Marketplace Monitoring Program (MMP), monitor and report on MMP activities, and develop performance indicators;
- finalize its enforcement framework and develop and deliver training for MC inspectors on the new enforcement measures enabled by the *Fairness at the Pumps Act*;
- develop and implement a communication strategy for the Agency's new enforcement measures and mandatory inspections, targeting both internal and external stakeholders; and
- establish a process to monitor and report on service standards related to consumer complaints and disputes between purchasers and sellers of electricity and natural gas.

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## 4.0 OVERALL CONCLUSION

MC has established a management control framework where roles and responsibilities are defined, key decision-making mechanisms are in place, and a structured model is used for mandatory technical inspection training.

MC has key controls in place to help ensure the identification and tracking of trade devices in use to support the administration of the *Weights and Measures Act* and regulations, and to monitor ASPs and their Recognized Technicians as part of the Agency's Alternative Service Delivery Program.

MC has contributed to the innovative administration of the legislation governing trade measurement and has strengthened its capacity to support the performance of mandatory inspections.

However, the audit identified some opportunities to better support the administration of the legislation governing trade measurement in the following areas:

- Risk Management: There is an opportunity for MC to strengthen its approach to risk management.
- Marketplace Monitoring: There is a lack of program documentation supporting the design and operation of Marketplace Monitoring Program (MMP) activities, and not all planned MMP activities took place. Further, performance indicators have not been established, and monitoring and reporting of MMP is informal and ad-hoc.
- New Enforcement Measures: An updated enforcement framework to reflect changes enabled by FAPA needs to be finalized. In addition, guidelines and procedures should be established to facilitate the interpretation and application of the new measures, including AMPs, and training material should be developed.
- Change Management: There is an opportunity for MC to develop an overarching strategy to communicate with its internal and external stakeholders. In addition, the Agency should monitor and report on service standards related to consumer complaints and disputes.

# APPENDIX A: AUDIT CRITERIA & SUB-CRITERIA

AUDIT CRITERIA	SUB-CRITERIA
<b>Governance and Risk Management</b>	
1. There is an effective management control framework to govern Measurement Canada.	1.1 Roles, responsibilities, and accountabilities for Measurement Canada are defined, updated, and communicated.
	1.2 Measurement Canada has an effective process for delivering mandatory training.
	1.3 Measurement Canada has an effective process for managing risks, including IT risks, related to the administration of the legislation governing trade measurement.
<b>Internal Controls</b>	
2. There are effective controls over the administration of the legislation governing trade measurement.	2.1 Measurement Canada has controls in place to ensure the identification and tracking of trade devices in use.*
	2.2 Measurement Canada's approach to monitoring over ASPs is effectively designed to strengthen overall compliance and is defined consistently.
	2.3 Measurement Canada's approach to marketplace monitoring is designed to strengthen overall compliance within the industry.*
	2.4 Measurement Canada has controls in place to apply the prescribed enforcement measures in instances of non-compliance.
<b>Change Management</b>	
3. There is effective change management over Measurement Canada's implementation of new legislative requirements.	3.1 Change initiatives related to the amendments of the <i>Fairness at the Pumps Act</i> are well communicated to external stakeholders and complaint mechanisms are in place.
	3.2 Measurement Canada has a formal approach to succession planning and to knowledge and talent management.
	3.3 Measurement Canada has identified opportunities to support the innovative administration of the legislation governing trade measurement and, to the extent possible, with other countries, to achieve efficiencies and facilitate trade activities.

\* The audit scope excluded activities related to electricity and natural gas.