Audit of the Operations Annual Planning Process

Office of Audit and Ethics

Audit Report

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Canadian Nuclear Safety Commission

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Canada

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Executive Summary

Background

The audit of the Operations Annual Planning Process was included in the Canadian Nuclear Safety Commission (CNSC) *Risk-Based Audit Plan* approved for fiscal years 2015–16 to 2017–18.

The Operations Annual Plan (OAP) is one component of an integrated CNSC-wide annual planning exercise conducted in the months prior to each new fiscal year. The OAP identifies how resources are expected to be deployed in the upcoming year, predominantly within the Regulatory Operations Branch (ROB) and the Technical Support Branch (TSB). Other CNSC branches also plan their resource deployment, and when combined with the OAP, form the basis of the fee estimates for licensees and applicants, and the overall CNSC budget.

The OAP process is relatively mature, having been in existence for the past seven years. The Regulatory Operations Coordination Division (ROCD) within ROB plays a prominent role in supporting and coordinating the OAP process, as well as managing and maintaining information management tools that support regulatory activity planning. ROCD works closely with the operations branches (ROB and TSB) management and planners. The Operations Work Plan Steering Committee (OWPSC), a sub-committee of the Operations Management Committee (OMC), makes the final decisions on the OAP.

There are typically two iterations of the OAP presented to the OWPSC before it is finalized. There can be more than two iterations, but recently two rounds have been the norm. The first, referred to as round one "final plan", includes discussions between requesting (lead) and participating responsibility centres (RCs) on workload priorities and negotiations on resource requirements based on workload. These consultations end in resource agreements, and RCs align their assigned resource planning targets with their budget limits. Activities beyond the targets are identified as unfunded pressures, and are categorized as either "deferred" or "risk-managed". These agreements form round one of the OAP and are presented to the OWPSC in mid-December for approval. Decisions are made on "unfunded pressures". Following these consultations, as additional information emerges; changes are made to the round one plan. Towards the end of January, the round two plan is presented to the OWPSC for review and approval.

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Objective, scope and approach

The objective of the audit was to provide reasonable assurance that a satisfactory management control framework is in place for the CNSC's Operations Annual Planning Process.

The audit focused on the OAP process coordinated by ROCD and included several areas of the CNSC that have input into the process. The scope also included a review of the interactions between the OAP process and other CNSC planning activities.

As the intent of this audit was to examine the governance and controls around the OAP process in particular, the scope of this audit did not include the following:

- Creating the CNSC Strategic Plan

- Finalizing licensee fee estimates and regulatory activity plan (RAP) summaries for licensees

- Annual planning in other CNSC branches that is not part of the regulatory program work led by the operations branches;

- Creating budgets for each division for the next fiscal year

- Creation, scheduling and in-year monitoring and management of detailed activity work plans

- Reconciling past OAPs and resources deployed against the current plan

Audit field work was conducted during August and September 2015. It included interviewing senior management and staff; reviewing documentation such as guidance material, memoranda and other communications, terms of reference, meeting minutes and outputs of planning activities; analyzing information and evidence gathered to identify opportunities for improvement; and, conducting walk-throughs and observing the planning tools, templates and systems used in the production of the OAP.

Summary of observations

- *Oversight and approval processes*

The OAP process starts with senior management identifying the strategic direction (i.e., goals, key priorities and initiatives) and ends with OWPSC approval. OWPSC membership is composed of the executive vice-president (EVP) of ROB, the vice president (VP) of TSB, and their respective directors general (DGs). Our examination indicated that oversight and approval processes are in place and working.

- *Roles and responsibilities for oversight and approvals are defined and understood*

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The OWPSC oversees and approves the OAP. DGs are accountable for the resource agreements between the requesting and participating RCs. For round one and two approvals, DGs are responsible and the VPs are accountable for the Plan. Minutes of the OWPSC meetings approving both rounds of the OAP indicate that all members were in attendance. Interviews with senior management indicate that the process is well understood.

- *Sufficient and timely information is provided to those with responsibility for oversight and approval*

ROCD sets deadlines for various stages of the OAP process through a calendar of events issued to planners at the beginning of each fiscal year. Timeframes are carefully monitored. Critical events during the process allow for minimal changes to deadlines. The audit confirmed that the timeframes are being met as scheduled.

- *Oversight and approval decisions are documented and communicated to relevant parties*

Decisions can be found in the minutes of the OWPSC meetings (both rounds one and two of the OAP are reviewed and accepted following presentations by ROCD and a subsequent discussion).

- *Tools and guidance are in place to support the OAP process*

Considerable effort has been made to provide the necessary tools and guidance to all planners and core participants in the OAP process. The OAE's examination found that ROCD supports and coordinates the planning process effectively through the maintenance of information management tools. These tools enable planners and core participants to undertake their responsibilities successfully.

- *Tools and guidance adequately describe the OAP process, associated roles and responsibilities, and linkages to other key CNSC planning processes*

The OAP process and associated roles and responsibilities are adequately described within a number of tools and documents produced to assist those engaged in the planning process. Steps to further improve the process are taken on an ongoing basis. The "lessons-learned" strategy could be enhanced by creating a "lessons-learned/improvement action plan" involving consultations with and reporting to OMC.

There are some linkages between the OAP process and other key CNSC planning activities, but these are limited. The development of a new Strategic Planning Framework (SPF) and earlier discussions on priorities between DGs have made the

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Report on Plans and Priorities (RPP) more relevant to the OAP. Further benefits may achieved by more widely linking the OAP to other planning activities and exploring the resulting opportunities.

- *Tools and guidance are communicated to, and understood by, relevant parties*

A document to guide staff involved in the planning process, titled "*Overview of: Operations Annual Planning Process",* outlines the scope and steps involved in the process. Also, an annual planning folder is provided to planners by ROCD to serve as their standard operating procedures. Weekly meetings are also held between ROCD and planners to exchange information, reinforce procedures, and exchange ideas and concerns relating to the OAP process.

- *The OAP clearly outlines the work to be conducted*

The OAP clearly summarizes the aggregation of the various directorates' resource estimates for their activities within the operations branches. The OAP is designed to execute on two main elements: core activities (licensing and compliance), and priorities and key initiatives identified in the RPP. DGs are accountable for the resource agreements negotiated between the requesting and participating RCs, and final decisions are made by the OWPSC.

- *Clear accountabilities are defined for activities identified in the OAP*

The CNSC document "*Overview of: Operations Annual Planning Process"* delineates the accountability (decision-making authority) associated with specific activities identified in the OAP. Terms of reference for the OWPSC outline the responsibilities and accountabilities of its membership, which include addressing and making decisions specific to regulatory activity plans and related issues.

- *Progress against the OAP is periodically monitored*

Minutes of the OMC meetings indicate that monitoring of actual versus planned data occurs regularly, on a quarterly basis. More detailed information is now provided to assist management to make informed decisions about the deployment of resources.

- *Variances noted through periodic monitoring are reported*

Meaningful discussions specific to actual versus planned data take place at the OMC meetings, as confirmed by the minutes. Management is making decisions when variances are reported by redeploying surplus resources, where needed, and dealing with "unfunded pressures."

- *Coordination and communication occurs between players involved in the OAP process and the following processes:*

  - CNSC strategic planning process

  - CNSC corporate planning processes (Finance, HR, IM/IT)

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- CNSC Harmonized Plan

- Licensees' and applicants' plans

The SPF and explicit linkages to the OAP are relatively new concepts. They have allowed the RPP to better align with the OAP, whereas formerly there were few direct linkages.

The links between OAP and the Finance and Administration Directorate (FAD) are strong. FAD notifies planning directorates/divisions of their reference levels for the planning period (FTE and O&M budgets), effectively providing parameters for planning. FAD also plays a prominent role in analyzing and challenging numbers in the "lock and load" file submitted by ROCD for costing purposes.

Coordination with both HR and IMTD is minimal, although both Directorates have interest in the OAP for the purposes of identifying trends that may impact their activities. HRD coordinates with FAD when establishing annual planning targets (staffing and anticipated retirements are taken into consideration). IMTD indicated that some IT projects are tied to cost codes that are cost recovered.

Appropriate alignment does exist between the OAP and the CNSC Harmonized Plan. The same DG is responsible for both plans, and the OMC reviews and tracks progress against each of them.

Licensees and applicants are an integral part of the OAP process; the CNSC must have a clear and complete picture of their high-level plans in order to forecast the amount and nature of the work required to be conducted. Plans are requested three years in advance, which allows the CNSC to not only forecast requirements but also assess the licensees' past inspection and compliance program.

Opportunities may exist to explore further integration of the OAP with other CNSC planning activities as the process continues to evolve and mature.

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Conclusion

The audit team found reasonable assurance that the management control framework of the CNSC's Operations Annual Planning Process is adequate. The audit confirmed the following:

- adequate oversight and approval processes exist to support the OAP

- adequate tools and guidance are in place to support the OAP

- OAP results are implemented and documented

- adequate coordination exists between the OAP and relevant internal/external stakeholders

The audit team recommends that the parties augment the current lessons-learned process through a lessons learned / improvement action plan that includes consulting with and reporting to the OMC. It also recommends conducting debriefing sessions with other planning functions within the organization.

The auditors would like to acknowledge and thank management for their support throughout the conduct of this audit.

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1. Introduction

1.1 Background

The Canadian Nuclear Safety Commission (CNSC) regulates the use of nuclear energy and materials to protect health, safety, security and the environment; to implement Canada's international commitments on the peaceful use of nuclear energy; and to disseminate objective scientific, technical and regulatory information to the public.

The CNSC is funded by parliamentary appropriations and fees charged to licensees and applicants through the CNSC cost recovery program. In fiscal year 2014–15, approximately $104.8 million (or 68.1 percent) of the CNSC's cost of operations were paid for by licensee revenue fees. The remaining cost of operations ($49 million, or 31.9 percent) were funded through parliamentary appropriations.

The CNSC conducts a number of planning activities to allocate resources and plan activities appropriately across the organization, including the following:

- Operations Annual Planning Process

- Strategic Planning process

- Budgeting process

- RAP licensee fee issuance process

The CNSC's Operations Annual Planning Process is coordinated by the Regulatory Operations Coordination Division (ROCD), Directorate of Regulatory Improvement and Major Projects Management (DRIMPM), within the ROB.

The Operations Annual Planning Process determines how resources are expected to be deployed in the upcoming fiscal year, predominantly within ROB/TSB. The Operations Annual Planning Process is also undertaken for costing purposes: it forms the basis for licensee fee estimates, and informs the CNSC's other planning activities. The process is not designed to develop work plans; these are generated by groups in parallel with the Operations Annual Planning Process as activities are being identified.

The Operations Annual Planning Process is built on the following fundamental principles:

- Corporate priorities of the CNSC are properly reflected.

- The best predictions of work likely to occur in a future fiscal year are presented.

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- The human and financial resources available for each RC in Operations are constrained within their respective assigned levels

- The Plan is done at a level of detail defined by the cost code and type/phase code (i.e., type of work)

- The planned levels of support by technical specialists across the range of regulatory programs is determined using an open, iterative and collaborative approach within and across program teams, involving all levels of management.

The OAP for 2015–16 shows 504.77 planned FTEs (full time equivalents) and Operations and Maintenance (O&M) of $9.3 million. The division between both operations branches is as follows:

- ROB: 259.09 FTEs and O&M of $3.6 million

- TSB: 254.77 FTEs and O&M of $5.7 million

1.2 Authority

The audit of CNSC's Operations Annual Planning Process was approved by the Audit Committee as part of the CNSC's Risk-Based Audit Plan for 2015–16 to 2017–18.

1.3 Objective and scope

The objective of the audit was to provide reasonable assurance that an adequate management control framework is governing the CNSC's Operations Annual Planning Process.

The audit focused on the Operations Annual Planning Process coordinated by the ROCD, and included several areas of the CNSC that have input into the process. The scope included a review of the interactions between the Operations Annual Planning Process and other CNSC planning activities.

The scope of this process did not include:

- creating the CNSC Strategic Plan

- finalizing licensee fee estimates and RAP summaries for licensees

- annual planning in other CNSC branches that is not part of the regulatory program work led by the operations branches

- creation of budgets for each division in the next fiscal year

- creation, scheduling and in-year monitoring and management of detailed activity work plans

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- reconciling past OAPs and resources deployed against the current OAP

1.4 Analysis of risks

During the audit planning phase, a risk analysis was conducted to identify the potential risks faced by the audit entity, and to evaluate and prioritize their relevance to the audit objectives. Risks were identified by reviewing documentation and interviewing key stakeholders engaged in the Operations Annual Planning Process.

The following positions were interviewed during the planning phase:

Regulatory Operations Branch:

- Executive vice-president, Regulatory Operations Branch and Chief Regulatory Operations Officer
- Director general, Directorate of Regulatory Improvement and Major Projects Management, DRIMPM
- Director, Regulatory Operations Coordination Division, DRIMPM
- Senior project officer, Regulatory Operations Coordination Division, DRIMPM

Technical Support Branch:

- Vice-president,Technical Support Branch

Regulatory Affairs Branch:

- Vice-president, Regulatory Affairs Branch
- Director general, Strategic Planning Directorate, SPD
- Director, Corporate Planning Division, SPD
- Director, Regulatory Research and Evaluation Division, SPD
- Senior evaluation officer, Regulatory Research and Evaluation Division, SPD

Corporate Services Branch:

- Vice-president, Corporate Services Branch and Chief Financial Officer
- Director general, Finance and Administration Directorate, FAD
- Director, Financial Resources Management and Systems Division, FAD

The risk analysis identified inherent risk factors that impact the Operations Annual Planning Process. These factors were grouped into two key themes: process criticality and process complexity.

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Process criticality

As described in the background section above, licensee and applicant fees account for approximately 70 percent of the CNSC's budget. The Operations Annual Planning Process is a key input to the determination of licensee fee estimates and the issuance of RAPs. Having a sound, well-operating process that produces quality information is vital to mitigating the following risks:

- licensees and applicants are not charged fair and appropriate amounts

- fees being charged cannot be substantiated

- the CNSC is not operating in a given year with appropriate funding levels

- the CNSC activities are not planned with due care for regulatory requirements

Process complexity

The Operations Annual Planning Process is used to plan the CNSC's core work. The CNSC must have a clear and complete picture of licensees' and applicants' high-level plans for the coming year, in order to determine the amount and nature of work required by the CNSC. This picture requires coordination and communication with licensees and applicants in order to produce a relevant and appropriate OAP.

The Operations Annual Planning Process also requires a high degree of internal coordination and communication, as work associated with a given licensee or applicant can span expertise across several divisions.

The OAP must reflect the CNSC's strategic priorities and initiatives to meet core work requirements and progress against strategic imperatives in a given year.

Coordination with areas of the organization responsible for financial, human resource and information management and information technology is essential to ensure plans originating across the organization are cohesive and aligned.

Based on the risk analysis and factoring in the two key themes above, audit lines of enquiry were selected to focus on key management controls needed to manage the inherent risk factors:

- Oversight and approval processes

- Tools and guidance

- Documentation, implementation and monitoring of the OAP

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- Coordination with relevant internal and external stakeholders

1.5 Audit criteria

Appendix A provides the lines of enquiry and related audit criteria used to achieve the audit objective.

1.6 Approach and methodology

The audit was conducted between June and September 2015. Concurrently, an evaluation of this activity was being undertaken by the CNSC's Evaluation Division. The audit and evaluation teams met throughout the assignment and shared background information and progress throughout. While the projects were not managed in tandem, this collaboration served to reduce the demands placed on the audited entity. The OAE team would like to acknowledge this collaboration.

During the audit's examination phase, the audit team:

- conducted interviews with management and staff

- reviewed pertinent documentation such as guidance material, memoranda and other communications; terms of reference; meeting minutes; and, outputs of planning activities

- analyzed information and evidence gathered with a view to identifying opportunities for improvement

- conducted walk-throughs and observed the planning tools, templates and systems utilized in producing the OAP

The audit findings represent the processes and practices currently in place and at the time the 2015–16 OAP was developed.

1.7 Statement of conformance

The audit conforms to the *Internal Auditing Standards for the Government of Canada* as supported by the results of the OAE quality assurance and improvement program.

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2. Audit observations and recommendations

2.1 Line of enquiry 1: Oversight and approval processes in place adequately support the Operations Annual Planning Process

To provide reasonable assurance that an adequate management control framework is in place to govern the OAP oversight and approval process, the audit examined procedures and practices that were in place, roles and responsibilities for oversight and approvals, and communication and documentation of decisions.

2.1.1 Oversight and approval processes

The OAP requires a high degree of internal coordination and communications as work associated with a given licensee or applicant can span expertise across several divisions. Because of the particular requirements that the OAP demands in terms of the nature, number and sequencing of the planning process steps involved, the CNSC developed *Overview of: Operations Annual Planning Process*, a CNSC Management System document that outlines the scope of the process. The document specifies the resource planning activities within the two operations branches – ROB and TSB – that are carried out prior to each fiscal year. The process starts with senior management identifying the strategic direction and initial budget/FTE limits and ends with the approval by Operations VPs of a final consolidated planning file for their respective branch. The file documents how operations directorates resources are expected to be deployed across all applicable regulatory programs throughout the coming fiscal year.

The OWPSC, a sub-committee of the OMC, makes final decisions on the OAP. The OWPSC membership comprises the EVP of ROB, the VP of TSB, and their respective DGs. ROB and TSB directorate planners and ROCD are members in an advisory capacity. The OWPSC Terms of Reference can be found on BORIS, the CNSC's Intranet site.

There are typically two iterations of the OAP presented to the OWPSC before it is finalized. There can be more than two iterations, but recently two rounds have been the norm. The first iteration is referred to as the round one "Final Plan". Before presenting round one to the OWPSC, consultations between requesting RCs and participating RCs within ROB and TSB take place over a span of several weeks to discuss workload priorities and negotiate resource requirements based on identified workload. Planning to workload while considering resource availability is a key component of the annual planning process. These consultations result in resource agreements being reached, at which time RCs align their committed resources with the budget set by FAD. These agreements are submitted to ROCD and represent the round one "Final Plan". Activities that fall beyond the budgetary limits are identified as unfunded pressures and are either considered "deferred" or "risk-managed". The submissions are consolidated into a

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central file by ROCD and then distributed back to the RC directors to validate. Following this validation, the OWPSC is presented in mid-December with the round one plan and decisions are made on unfunded pressures, when applicable. Relevant meeting minutes confirm that the OWPSC approved the OAP for fiscal year 2015–16 (round one), which was within the established budget targets.

The round one plan is adjusted following this initial meeting, based on additional information that may emerge. Changes are noted in briefing notes that are maintained by ROCD. Towards the end of January, OWPSC is presented with the round two plan for review and approval. Minutes confirm that the OAP for fiscal year 2015–16 (round two) was approved by the OWPSC and was within established budget targets.

2.1.2 Roles and responsibilities for oversight and approvals are defined and understood

The audit examined documentation to ensure roles and responsibilities for oversight and approvals are communicated to all parties involved in the OAP process. ROCD plays a prominent role in supporting and coordinating the OAP process, as well as managing and maintaining the information management tools that support regulatory activity planning. The roles and responsibilities for ROCD are defined and posted on BORIS, the CNSC's Intranet site. ROCD works closely with the operations branches management and planners. Position descriptions for DGs, directors and planners also indicate the role these individuals play in the OAP process. Planners are provided with access to an electronic annual planning folder to guide them through the OAP process. The guide includes, among other things, a planning calendar, templates, instructions and summary tables. In addition, ROCD leads weekly planner meetings during the planning cycle. Planners play an integral role in leading the gathering, consolidating and reporting of operational data within their own directorate.

The OWPSC, which includes the VPs of ROB and TSB and their respective DGs, oversees and approves the OAP. They are also responsible for approving any in-year OAP adjustments which responsible Directors present to the Committee for resolution. The document *Overview of: Operations Annual Planning Process* states that DGs are accountable for the resource agreements between requesting and participating RCs. In the case of round one and two approvals, the DGs are responsible for approval of directorate-level plans and the VPs are accountable for the consolidated branch plan. For the period under examination, minutes of the OWPSC meetings that approved both rounds one and two of the OAP indicated that all members were in attendance. Interviews with management and staff involved confirmed that the process is well understood.

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2.1.3 Sufficient and timely information is provided to those with responsibility for oversight and approval

The OAP process starts in early September with an annual planning call-out letter issued to all planners by ROCD. Accompanying the letter are templates that the directorates are required to populate by certain dates identified in the calendar of events (ROCD issues this calendar at the beginning of the fiscal year). Deadlines are reasonably rigid and ROCD ensures the timelines are met through reminders and discussions at weekly planner meetings. There is little discretion for timing as there are critical events that must be met at certain times during the process. Examples include the "lock and load" file (final detailed OAP) that must be submitted to FAD for round one of costing by the end of December. The most critical date involves the issuance of the RAPs, which are derived from the contents of the OAP and which serve to invoice the licensee for regulatory activities performed relative to their licensed site. By regulation, these RAPs (which include licensee fee estimates and an explanation of the estimates) are to be issued to licensees by March 31 of each year. It is for these reasons that there is significant emphasis on meeting timelines to ensure sufficient information is provided to those with responsibility for overseeing and approving the plan.

Our interviews with management engaged in the oversight and approval process indicated that the information is received by OWPSC members in a timely manner and in sufficient detail to make informed decisions.

2.1.4 Oversight and approval decisions are documented and communicated to relevant parties

Approval decisions can be found in the minutes of the OWPSC meetings (for the period under examination, both rounds one and two of the OAP were reviewed and accepted following presentations by ROCD and subsequent discussion). Minutes of these meetings are accessible to all staff electronically on BORIS, the CNSC's Intranet site.

2.2 Line of enquiry 2: Tools and guidance in place adequately support the Operations Annual Planning Process

To ensure that there are appropriate tools and guidance provided to all planners and core participants in the OAP process, the audit examined documentation specifying the procedures and practices to be followed, the roles and responsibilities of those engaged in the process and the role of decision-making authorities. Effective processes and procedures are part of the management control framework. Standard operating processes and procedures serve as the basis for actions to be carried out in a consistent and structured manner.

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2.2.1 Tools and guidance are in place to support the OAP process

Significant effort has been spent in providing tools and guidance associated with the OAP process. This is particularly important in that work spans across several Branches and engages numerous individuals. Moreover, the regulatory activities managed by the operations branches (ROB and TSB) are varied and complex and the planning process involves numerous steps that require a particular sequence.

The roles and responsibilities of those engaged in the planning process can be found in the Terms of Reference for the OWPSC which defines its approval responsibilities and accountabilities vis-à-vis the OAP. ROCD, which supports and coordinates the planning process as well as manages and maintains information management tools, has clearly defined roles and responsibilities as well. The responsibilities of both the OWPSC and ROCD can be found on the CNSC's Intranet site.

A key document that has been developed to guide staff involved in the process is entitled *Overview of: Operations Annual Planning Process*. It outlines the scope of the OAP process and the numerous steps involved. The document specifies the resource planning activities within operations branches (ROB and TSB) that are carried out prior to each fiscal year. The process starts with senior management identifying the strategic direction to be followed, workload assessments and the provision of directorate- and division-level budget/FTE profiles, and ends with the approval by operations VPs of a final consolidated planning file.

In addition, the planners who are integrally involved in the OAP at the directorate level are provided with an annual planning folder developed by ROCD. This folder essentially serves as their standard operating procedures. The folder includes, among other things, a planning calendar, templates, "lock and load" procedures and summary tables. The audit interviews confirm that the support being provided by ROCD is adequate.

2.2.2 Tools and guidance adequately describe the OAP process and associated roles and responsibilities, and linkages to other key CNSC planning processes

While the tools and guidance adequately describe the OAP process and associated roles and responsibilities, changes are continually being made to improve the OAP process. Currently, planning practices may vary between directorates, as each manages its own process. The templates used to transmit data from operations directorates to ROCD are continuously being tweaked and adjusted, on an as required basis. Rules are imbedded in these templates to ensure data submitted is provided in a structured and consistent manner and aligned with the correct cost centre. Last year, directorates were informed that any changes proposed to alter the plan had to be made 48 hours in advance of the round one deadline in order to allow data to be consolidated. Validation meetings between directors were also added to ensure consensus on the

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data submitted to ROCD. The OMC was recently presented with a business case to upgrade the enterprise planning (EP) module, a planning tool in the Corporate Planning and Management Reporting System (CPMRS) that is used for costing purposes. The intent is to modify the current time-consuming planning process, as planners are required to enter their financial plans onto a spreadsheet that has to be manually re-entered into the EP module.

The degree to which ROCD currently challenges the data it receives is limited; "ownership" of the plan rests with the DGs. ROCD has little leverage over the work of the planners and has taken the stance that as long as deadlines are met and data content is reasonable, the work is accepted. The audit team views this as a positive element because it reinforces branch and directorate accountability for resourcing deliberations and decisions.

Following the 2015–16 planning cycle for the OAP, ROCD and the planners convened to produce a "lessons learned" document. The document lists the issues and problems encountered during the preparation of the OAP and indicate how these might be mitigated. This document identifies changes required and is shared only among the planners who are considered experts within their own directorate. The OAP is a mature process and has been in place for several years now. Any issue management may have specific to the OAP is raised at an OMC meeting and discussed in depth at the following ROCD/planner meeting to consider possible solutions. The audit team believes that the parties could augment the "lessons-learned" process by developing a more formal lessons-learned/ improvement action plan. This annual action plan should include defined roles and responsibilities for the development and consultation of the plan, as well as a defined timeline for the execution of the action plan. ROCD and the planners should consult with OMC during the development of the action plan and submit it to the OMC for final approval. Progress should then be reported at regular intervals, in consultation with the committee. An expansion of the lessons learned process will further enhance the development of future OAPs and will allow OMC to have direct involvement in suggesting solutions on the mitigation of issues encountered during the preparation of the OAP in a given planning cycle.

The extent to which the OAP process currently integrates and coordinates with other CNSC planning activities was examined. The recent development of the new SPF that defines the CNSC's goals and key priorities and initiatives, as well as moves forward the timeline from November to June for DGs to meet and discuss priorities, has enhanced planning and allowed more time to focus on this function. It has also made the RPP more relevant to the OAP. An "assumptions and priorities" template in which priorities arrive two weeks before requesting RCs consult with participating RCs to determine their initial resource requests (i.e., their "asks") has also helped to identify the contents of the RPP.

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Further opportunities to link the OAP with other key planning activities may exist within the CNSC. Currently, ROCD views the possibility that there may be benefits in examining the OAP in relation to the individual learning and travel plans for positions accounted for in the plan, but no action has taken place to date. Integration with the HR and IMTD plans has been minimal, although authors of these plans have interest in the OAP as a source of data to identify trends that may impact their activities. It would be worth exploring whether these functions could be more formally included at certain stages of the OAP development process. It would be beneficial for the parties to explore enhanced collaboration between the different planning activities as appropriate going forward.

Recommendation 1

It is recommended that ROCD:

> Enhance the current "lessons learned" process by consulting with OMC members (in addition to the planners) during the development of a consolidated lessons learned / improvement action plan that includes formal accountabilities and timelines for implementation. This process should include presenting the final plan to OMC for approval and updating OMC at established intervals on progress towards meeting the plan.

Management response and action plan:

> Accepted. The Regulatory Operations Coordination Division (ROCD) will work with operations planners to establish a "lessons learned" process for the Operations Annual Planning process.

> This process will involve compiling a list of lessons learned and, as needed, an improvement action plan. The lessons learned and action plan will be presented to OMC prior to the subsequent annual planning cycle. The improvement action plan will also be presented to OMC regularly throughout the year to update on the progress toward meeting the action plan. (target date: June 2017)

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Recommendation 2

It is recommended that ROCD:

> Conduct debriefing meetings with other CNSC planning functions (including but not limited to IMTD, HRD, SPD) upon completion of the OAP, in order to review pertinent trends and issues identified, and discuss any implications the planning data may have for their respective forward planning and reporting processes.

Management response and action plan:

> Accepted. Operations will continue its leadership in planning communications and initiate meetings with non-ops planners during the next annual planning cycle. Operations will aim goal of proactively discussing planning process consistency and of sharing ops planning data by: revising the annual planning process to include sharing planning data between operations and other CNSC planning functions, and following key milestones in the annual planning cycle. (target date: December 2016)

2.2.3 Tools and guidance are communicated to, and understood by, relevant parties

The annual planning folder provided to the planners by ROCD essentially serves as their standard operating procedures for the OAP. ROCD also holds weekly meeting with the planners during the planning cycle to exchange information, ideas and concerns about the OAP process. Furthermore, ROCD delivers training to planners to re-inforce planning practices. Audit interviews confirm that there is adequate support provided by ROCD.

2.3 Line of Enquiry 3 – Results of the Operations Annual Planning Process are documented, implemented and monitored.

The audit examined the extent to which the results of the OAP are documented and implemented, while also examining the management controls and reporting mechanisms in place to monitor performance against the Plan. Interviews were conducted and documentation was examined to verify that the OAP provides a clear outline of how Operations Directorate resources are expected to be deployed across all applicable regulatory programs throughout the coming fiscal year. The processes in place to monitor progress against the OAP, including roles and responsibilities, were also examined.

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2.3.1 The OAP clearly outlines the work to be conducted.

The OAP describes how resources, predominantly in ROB and TSB, are expected to be deployed in the upcoming fiscal year. The Plan reflects the results from a series of consultations between the Requesting RC and Participating RC where resource levels that satisfy the work requirements and do not exceed an RC's resource availability have been established. The Plan summarizes the aggregation of the various Directorates' resource estimates for their activities within the operations branches. The Plan is designed to execute on two main elements: core activities, representing approximately 80 percent of the OAP and includes licensing and compliance activities related to specific licensees; and, the balance reflecting the priorities and key initiatives identified in the RPP (supporting the need for coordination with strategic planning functions). Because the Plan is carried out under the direct authority and supervision of Operations management, the risk of unauthorized regulatory activities taking place is mitigated.

DGs are accountable for the resource agreements negotiated between the Requesting and Participating RCs. Final decisions are made by the OWPSC based on review of the data presented.

2.3.2 Clear accountabilities are defined for activities identified in the OAP

The CNSC document *Overview of: Operations Annual Planning Process* delineates the accountability (decision-making authority) associated with specific activities identified in the OAP. The breakdown of accountability by position and activity within the operations branches is as follows:

- Directors – projecting next year's resource estimates

- Directors general – establishing resource agreements between requesting and participating RCs

- Vice-presidents – reviewing and approving all rounds of the OAP (representing two rounds during the examination period)

In addition, the terms of reference for the OMC sub-committee OWPSC outline the responsibilities and accountabilities of its membership, which include addressing and making decisions specific to RAPs and related issues. Interviews with management and a review of the minutes of the OWPSC meetings indicate a clear understanding of their accountabilities and responsibilities.

2.3.3 Progress against the OAP is periodically monitored

The OMC was first introduced to operations actual versus planned data in 2014–15. There is a greater emphasis in monitoring this data, which is now being used to guide

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the final planning process. Monitoring can help identify the availability and allocation of resources for work considered to be high priority. Minutes of the OMC meetings indicate that monitoring of actual versus planned data occurs regularly on a quarterly basis and, if needed, more frequently. More detailed information is now provided to the OMC, including summary tables showing planned FTE and O&M summaries by directorate versus previous year's actuals. Comparisons of actual versus planned data for the top seven licensees are also included. In April 2015, monitoring was expanded to include quarterly tracking of projects of major Interest.

2.3.4 Variances noted through periodic monitoring are reported

The minutes of the OMC meetings indicate meaningful discussions on actual versus planned data are taking place on a quarterly basis . Comparisons illustrate where there are over-and under-planned variances and, in some cases, where there is planned effort in one category while the actual effort is spent in another. Directorates indicate where surplus resources are available for deployment elsewhere and where unfunded pressures are faced. In preparing the 2015–16 OAP, the undesirable trends identified when monitoring the previous 2014–15 OAP are recognized and adjustments are factored in to correct the situation. Adjustments to the OAP are not made at the time issues are identified; instead, adjustment of resources are tracked and built into the subsequent year's OAP as appropriate.

2.4 Line of enquiry 4 – The Operations Annual Planning Process adequately coordinates with relevant internal and external stakeholders.

The audit examined the extent to which the OAP process coordinates and communicates with other planning functions within CNSC, including the Strategic Planning (SPD), Financial Administrative (FAD), Human Resources (HRD) and, Information Management and Technology (IM/IT) directorates. Coordination with the Harmonized Plan for Improvement Initiatives (HP) and with licensees and applicants was also explored.

2.4.1 Coordination and communication occurs between the OAP process and the following:

  i) *CNSC strategic planning process;*

  ii) *CNSC corporate planning processes (finance, HR, IM/IT);*

  iii) *CNSC Harmonized Plan; and,*

  iv) *Plans of licensees and applicants.*

  i) The SPF and explicit linkages to the OAP is a relatively new concept. The process for reviewing priorities and key initiatives identified in year 2 of the

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SPF, involving VPs and DGs, was recently moved from November to June. This was designed to allow the RPP to better integrate with the OAP, whereas formerly there was no direct linkage. DGs now have the opportunity to meet with staff during the summer to flesh out priorities and firm up plans and resources to address the workload. Senior management will convene in October to reach agreement on priorities, key initiatives and core work to be undertaken.

ii)   There is a strong linkage between the OAP process and FAD. FAD, early in the planning cycle, sends "target letters" (FTE and O&M budgets) to the operations branches, which effectively provides planning activity parameters. Budgets are based on prior year's targets, additional approvals or decisions made at the OMC and spending that has occurred to date in the current year. Following round one approval by the OMC, ROCD prepares a "lock and load" file for FAD to upload to the CPMRS for costing. This step is repeated following approval of round two, which takes into account new information and budgetary changes following the initial costing. At year-end, FAD will analyze the percentage breakdown of *RAPs* across the different licensees and, if a refund is due, it will be provided based on the revised percentage breakdown.

There is less of a link between HRD and IMTD and the OAP process. To date coordination has been minimal although both of these directorates have interest in the OAP for the purpose of identifying trends that may impact their activities. HRD does coordinate with FAD when establishing annual planning targets; staffing and anticipated retirements are taken into consideration. Also, IMTD indicated some IT projects are tied to cost codes that are cost-recovered. ROCD did indicate that there could be benefit in synchronizing the OAP with the *Individual Learning* and *Travel Plans*, but no action has taken place to date.

iii) Appropriate alignment exists between the OAP and the CNSC Harmonized *Plan*. The DG of DRIMPM, who is responsible for the HP, is also responsible for ROCD, which coordinates and supports the OAP process. The DG consults with the OMC biweekly to provide updates on the Harmonized Plan. OMC reviews the updates to track progress while confirming that there is branch and directorate commitment to the initiatives.

iv) As the OAP deals with the operation branches core work, the CNSC must have a clear and complete picture of the licensee and applicant high-level plans to properly forecast the amount and nature of the work to be conducted. This

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requires coordination and communication with licensees and applicants to produce a relevant and appropriate OAP.

One of the initial steps in the OAP process requires an analysis of the past year and the current year OAP data. Following this, contact is made with the licensees to request their high-level plans for the next three years and, at the same time, assess the licensee's past inspection and compliance programs. This allows the CNSC to forecast program requirements for the next year, estimate resource requirements, and identify participants.

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3. Conclusion

The audit team found there is reasonable assurance that the management control framework in place over CNSC's Operations Annual Planning Process is adequate. The audit confirmed that adequate oversight and approval processes exist to support the OAP, adequate tools and guidance are in place to support the OAP, results of the OAP are implemented and documented, and that adequate coordination exists between the OAP and relevant internal/external stakeholders. The audit team recommends that the parties augment the current "lessons learned" process through a lessons learned / improvement action plan that includes consulting with and reporting to the OMC. It also recommends conducting debriefing sessions with other planning functions within the organization.

The auditors would like to acknowledge and thank management for their support throughout the conduct of this audit.

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Appendix A: Audit criteria

Line of enquiry 1: Oversight and approval process in place adequately support the Operations Annual Planning Process

1.1 Oversight and approval processes

Procedures and practices have been established and documented to oversee and approve the OAP.

1.2 Roles and responsibilities for oversight and approvals are defined and understood

Roles and responsibilities for oversight and approval are defined and communicated to all parties engaged in the OAP process.

1.3 Sufficient and timely information is provided to those with responsibility for oversight and approval

There is a structure in place to ensure timelines are met, which allows those responsible for overseeing and approving the OAP sufficient time to make informed decisions.

1.4 Oversight and approval decisions are documented and communicated to relevant parties

Decisions made by management to approve the OAP are well documented and accessible to all relevant CNSC staff.

Line of enquiry 2: Tools and guidance in place adequately support the Operations Annual Planning Process

2.1 Tools and guidance are in place to support the OAP process

Appropriate tools and guidance are provided to all core participants in the OAP process, to ensure processes are conducted in a consistent and structured manner.

2.2 Tools and guidance adequately describe the OAP process and associated roles and responsibilities, and linkages to other key CNSC planning processes

Those engaged in the OAP process are provided the necessary tools and guidance to assist them in understanding their role in carrying out planning activities in a responsible manner. OAP linkages to other CNSC planning activities exist to optimize the benefits of a coordinated approach to planning within the CNSC.

2.3 Tools and guidance are communicated to, and understood by, relevant parties

Relevant parties engaged in the planning process are adequately supported with appropriate tools and guidance and follow-up to ensure a clear understanding of their responsibilities.

Line of enquiry 3: Results of the Operations Annual Planning Process are documented, implemented and monitored

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3.1 The OAP clearly outlines the work to be conducted

The OAP clearly describes an outline of how resources within the operations branches are to be deployed in the upcoming fiscal year following consultations where resource levels, that satisfy work requirements and do not exceed an RC's resource limits, have been established.

3.2 Clear accountabilities are defined for activities identified in the OAP

The accountability (decision-making authority) associated with specific activities identified in the OAP process are clearly delineated and communicated.

3.3 Progress against the OAP is periodically monitored

Processes are in place to monitor progress against the OAP, including roles and responsibilities.

3.4 Variances noted through periodic monitoring are reported

Actual versus planned data is periodically monitored and reported to identify opportunities where redeployment of resources can result in their more judicious use.

Line of enquiry 4: The Operations Planning process adequately coordinates with relevant internal and external stakeholders

4.1 Coordination and communications occur between the OAP process and the following:

  i) CNSC strategic planning process

  ii) CNSC corporate planning processes (Finance, HR, IM/IT)

  iii) CNSC Harmonized Plan

  iv) Plans of licensees and applicant

OAP linkages to other CNSC planning activities and those of external stakeholders exist to optimize the benefits of a coordinated approach and take into account external factors that impact program requirements.

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Appendix B: Audit recommendations and management action plans

The following table presents a summary of recommendations and management action plans raised in section 2 of the report (which covers observations and recommendations):

Recommendation	Management response and action plans	Completion date
1. It is recommended that ROCD: Enhance the current lessons learned / improvement action plan by including consultation with OMC members (in addition to the planners) during the development of a consolidated lessons learned / improvement action plan that includes formal accountabilities and timelines for implementation. This process should include presenting the final plan to OMC for approval and updating OMC at established intervals on progress towards meeting the plan.	Accepted. The Regulatory Operations Coordination Division (ROCD) will work with operations planners to establish a lessons learned process related to the Operations Annual Planning process. This process will involve compiling a list of lessons learned and, as needed, an improvement action plan. The lessons learned and action plan will be presented to OMC prior to the subsequent annual planning cycle. The improvement action plan will also be presented to OMC regularly throughout the year to update on the progress toward meeting the action plan.	June 2017
2. It is recommended that ROCD: Conduct debriefing meetings with other CNSC planning functions (including, but not limited to, IMTD, HRD, SPD) on completion of the OAP, in order to review pertinent trends and issues identified and discuss any implications the planning data may have for their respective forward planning and reporting processes.	Accepted. Operations will continue its leadership in planning communications and initiate meetings with non-ops planners during the next annual planning cycle with the goal of proactively discussing planning process consistency and of sharing ops planning data by: Revising the annual planning process to include sharing planning data between operations and other CNSC planning functions, following key milestones in the annual planning cycle.	December 2016