SSHRC ≡ CRSH

AUDIT OF INTERNAL GOVERNANCE

Corporate Internal Audit Division
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EXECUTIVE SUMMARY

The Social Sciences and Humanities Research Council (SSHRC) was created by an act of Parliament in 1977 and reports to Parliament through the Minister of Industry. Its mandate is two-fold: to promote and support research and scholarship in the social sciences and humanities, and to advise the Minister of Industry on issues related to social sciences and humanities research.

SSHRC's internal governance structure is composed of seven key committees. Within this structure, there are three senior management-level committees and four committees that are more operational in focus. The committees serve a number of purposes, ranging from decision-making to advising senior management and sharing information.

Why Is the Review Needed?

Efficient internal governance is critical for meeting the strategic objectives of an organization and supporting responsible stewardship over public resources. The Treasury Board Secretariat is increasingly encouraging departments and agencies to augment their governance through a suite of guidelines and policies intended to achieve greater efficiency and accountability in government. Additionally, the Institute of Internal Auditors' Standard 2100 (Nature of Work) requires that "the internal audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach." The Corporate Internal Audit Division (CIAD) is therefore required to review governance within SSHRC. The results of the audit are intended to support SSHRC's path of continuous improvement by identifying areas in which greater efficiency can be achieved.

Audit Objectives and Scope

The objective of the audit was to assess the extent to which SSHRC's internal governance is operating with regard for efficiency. More specifically, the audit focused on the following three areas:

1. roles and responsibilities of internal governance committees;
2. reporting relationships of the committees; and
3. decision-making and oversight processes for key strategic initiatives.

Key Audit Findings

In recent years, SSHRC's senior management has made significant progress by strengthening the governance structure in areas requiring greater oversight. The audit noted that, since 2007, SSHRC has placed strategic-level responsibilities with a Senior Management Committee (SMC) and operational-level responsibilities with the Operations Management Committee (OMC). In addition, in 2009, the budgeting process for SSHRC's grants, fellowships and partnerships was reviewed and the need for a forum to discuss allocations and reallocations was identified. In response to this review, SSHRC created the Planning and Resources Committee (PRC), a committee that leverages the expertise of the Finance Division in SSHRC and provides strategic advice to the two vice-presidents on the management of program funds.

The audit also found that SSHRC has made progress in clarifying decision-making for key corporate areas such as human resources (HR). In early 2011, SMC approved SSHRC's revised HR delegation-of-authority matrix. This document clarified which levels of management would be involved in specific decisions, differentiating strategic-level decisions from those deemed

operational. Work is also under way in the area of finance to identify critical decisions related to budgets as well as the appropriate level of decision-making for this key corporate function.

In addition to the improvements made to date, the audit highlighted other key areas in which greater efficiency could be achieved. These include the following:

- Greater clarification of roles and responsibilities within the internal governance structure, in particular, committees.
  - o The audit found a lack of clarity among management concerning the roles of internal governance committees and the responsibilities of these bodies vis-à-vis each other.
  - o The audit found that the internal governance structure itself was not clearly nor sufficiently communicated to the organization. Furthermore, ownership of SSHRC's governance to ensure oversight and its alignment with corporate objectives was not clearly communicated.

- Better integration of internal governance committees through formal reporting relationships and expectations to promote the efficient flow of information and accountability.
  - o The audit found that key committees, such as the Information Management/ Information Technology Bi-Council Steering Committee (IM/IT Bi-Council), were not linked through formal reporting relationships with the rest of the internal governance structure.

- Documentation of decision-making and oversight processes in areas identified as key to SSHRC's business.
  - o One of the initiatives that the audit examined was the Program Architecture Renewal (PAR). At the time of the audit, decision-making frameworks and more formalized oversight processes supporting efficiency for PAR were found to be still at a developmental stage. Despite limited documented process, it is important to note that decision-making and oversight activities have clearly occurred for major design and policy issues. This included project management approaches that allowed the project to progress successfully from the conceptual phase through to implementation. Limitations in process documentation supporting decision-making and oversight were not unique to SSHRC's key initiatives; they were also found in other areas (i.e., policy development and implementation).

Conclusion

Recognizing that governance is critical for the achievement of strategic and operational objectives, SSHRC has made considerable progress in this area over the past few years. Nevertheless, the audit found areas in which greater efficiency could be realized. In brief, SSHRC can enhance efficiency by clarifying roles, responsibilities and accountabilities; by formalizing reporting relationships and expectations to ensure the appropriate and sufficient flow of information; and by developing decision-making and oversight processes in key areas of its business. These suggestions should be seen as an opportunity to fine-tune a structure that is already in the process of improving and responding to internal and external changes.

1. WHAT IS GOVERNANCE?

Governance has a myriad of definitions and depends on a variety of organizational, structural and cultural factors. While no one definition is used as a "golden standard," the *International Standards for the Professional Practice of Internal Auditing* (2010) from the Institute of Internal Auditors (IIA) defines governance as follows:

> the combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.

Governance can therefore be viewed as the complex interaction between the committees—as defined by the organizational chart (the structure)—and the decision-making and oversight functions in which individuals and committees are involved to allow the organization to meet its objectives (the process). Furthermore, while not stated explicitly in the IIA definition, it is important to acknowledge that structure and process are heavily influenced by a third element: the organizational culture. Culture can be defined as a collection of values and norms within an organization that are shared, influencing the manner in which staff interact and relationships are defined. Depending on the nature of the organization and its business, the interaction among structure, process and culture will be unique.

Recognizing that appropriate governance is critical for the achievement of corporate objectives, SSHRC has adopted an iterative approach to improving its structure and process, rather than applying a "one size fits all" model. In recent years, the organization has made significant progress in developing its internal governance. The results of the audit are intended to support SSHRC's path of continuous improvement by identifying areas in which greater efficiency can be achieved.

For the purpose of this audit, "internal governance" is defined as the interaction between SSHRC's structure (seven management committees, described in the next section) and selected processes that assist SSHRC in achieving its corporate objectives (i.e., decision-making and oversight in selected areas). It is equally important to note that the term "internal governance" used in this report should not be interpreted as "corporate governance" that has its own unique features, such as a board of directors.

2. SSHRC'S CURRENT INTERNAL GOVERNANCE

SSHRC was created by an act of Parliament in 1977 and reports to Parliament through the Minister of Industry. Its mandate is two-fold: to promote and support research and scholarship in the social sciences and humanities, and to advise the Minister of Industry on issues related to social sciences and humanities research.

SSHRC's internal governance structure includes seven management committees[1] (see appendices I and II). Within this structure, there are three senior management-level committees (Senior Management Committee or SMC, Performance and Evaluation Committee or PEC and the Information Management/Information Technology Bi-Council Steering Committee or IM/IT Bi-Council). The SMC acts as SSHRC's strategic decision-making body (SMC) and the PEC advises the president on departmental performance and evaluation matters. The IM/IT Bi-

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[1] As defined in the 2010-11 SSHRC Corporate Plan, SSHRC's internal governance is composed of six committees: SMC, OMC, PCC, PEC, PRC and IM/IT Bi-Council. The survey work completed for this audit determined that an additional committee was also a part of the internal governance structure, the PMC. PMC is an informal committee to which the PCC reports to, as per PCC's terms of reference.

Council is the result of a "shared service" arrangement between SSHRC and Natural Sciences and Engineering Research Council (NSERC) and is mandated to provide strategic direction, planning advice and policy direction for IM/IT for both agencies. The four remaining committees (Operations Management Committee or OMC, Planning and Resources Committee or PRC, Programs Management Committee or PMC and Programs Coordination Committee or PCC) serve a range of purposes from making recommendations to senior management to sharing information. While many of these committees do not have an explicit decision-making role, their functions are intended to support the overall governance structure. In brief, committees communicate through a variety of informal and formal reporting relationships that range from sharing minutes to discussions between members of senior management and their direct reports.

3. AUDIT OBJECTIVE AND SCOPE

An audit of SSHRC's corporate internal governance is required for the following reasons.

- SSHRC's 2010-11 Corporate Risk Profile (CRP) has identified areas within governance as "high" risk, particularly those related to decision-making.
- Governance was identified in the 2009-10 Risk-Based Audit Plan as an area meriting further examination.

Furthermore, IIA Standard 2100 (Nature of Work) indicates that "the internal audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach." The Corporate Internal Audit Division (CIAD) is therefore required to review governance within SSHRC.

The audit examined the extent to which SSHRC's internal governance—as identified in Appendix I—is operating with regard for efficiency.[2] More specifically, the audit focused on three areas (see Appendix III):

1. clarity of the roles and responsibilities of internal governance committees;
2. clarity of reporting relationships that support the flow of information throughout the internal governance committee structure; and
3. existence of clear and communicated decision-making and oversight processes for key strategic initiatives.

To address each area within the context of SSHRC's day-to-day business, the audit examined the internal governance committee structure itself and the decision-making and oversight processes for the corporate risk management and the Program Architecture Renewal (PAR) initiatives.[3]

It is important to acknowledge that the area of internal governance is vast and can encompass many topics. As a part of the audit, survey work was completed to help identify the areas specific to SSHRC that required attention. The above lines of inquiry were selected for their relevance and to ensure that the scope of the audit would be manageable. Therefore, it was

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[2] Efficiency: "The minimum resource inputs to achieve timeliness and quality." (Office of the Auditor General, *Performance Auditing Manual*, Appendix A, Definitions [Ottawa: OAG, 2004].)

[3] The Program Architecture Renewal (PAR) initiative is critical to redefining SSHRC's program activity architecture (PAA) between 2010 and 2012 and beyond. The objective of the PAR, SSHRC's main strategy in its 2010 *Framing Our Direction*, is to streamline, simplify and create a more effective program delivery process that is current and responsive to developments in the social science and humanities. In short, PAR put SSHRC's 30 separately branded programs under three umbrella activities: talent, insight and connection.

beyond the scope of this audit to examine external governance (i.e., Council, Independent Audit Committee); divisional governance (i.e., Common Administrative Services Directorate); the organizational structure; SSHRC's ad hoc committees/working groups, committee membership or the performance of the committees themselves.

Within the scope of the audit, documentation was examined between January 2008 and December 2010.

4. METHODOLOGY

The CIAD used the following methodology to conduct its work:

- file and document review of various sources of information, including committee meeting minutes, terms of reference, agendas and corporate reports (i.e., strategic plans, corporate plans, project charters); and
- interviews with key stakeholders (i.e., senior management, directors, committee members and committee chairs) on major issues, challenges and risks related to SSHRC's internal governance.

The audit was conducted using standards set by the IIA. The criteria were used to structure the audit and draw conclusions from the information gathered. Criteria were based primarily on the guidance provided by the Office of the Comptroller General (OCG) for assessing core management controls in the Government of Canada (see Appendix III).

5. AUDIT FINDINGS: AREAS OF PROGRESS

5.1 SSHRC has strengthened its internal governance structure through the creation of new committees and the development of its corporate risk management process.

In recent years, SSHRC's senior management has made significant progress by strengthening the governance structure in areas requiring greater oversight. Prior to 2007, SSHRC was run largely by one committee called the Management Committee. This committee was composed of 20 members (director level and up, including the president) and met once a week to discuss topics ranging from strategic direction to operations management. In 2007, SSHRC split this large committee into two committees, SMC and OMC. This move placed strategic-level responsibilities with SMC and operational responsibilities with an operations-oriented committee (OMC).

In addition to this, in 2009, a review of SSHRC's grants, fellowships and partnerships budgeting process identified the need for a forum to discuss allocations and reallocations. In response to this review, SSHRC created PRC, a committee that leverages the financial expertise of the Finance Division within SSHRC and provides strategic advice to the two vice-presidents on the management of program funds. At this time, SSHRC also formalized the PEC, aligning its roles and responsibilities with the requirements set out by Treasury Board's new Policy on Evaluation.

With the enhanced governance structure, SSHRC recently strengthened its processes for managing key strategic initiatives, such as its corporate risk management process. In 2009, assessment of SSHRC's Management Accountability Framework found that improvements were required to better integrate risk management processes within the organization. As part of the necessary improvements, senior management in 2010 assigned the role of "champion" to the

executive vice-president (EVP) of the Corporate Affairs Directorate to develop SSHRC's CRP. In brief, the profile identified, assessed and ranked (high/medium/low) 20 risks related to the achievement of organizational objectives. Subsequent to the CRP, SSHRC developed a Corporate Risk Management Framework (CRMF) in March 2011 that was reviewed by Council in June 2011; oversight was provided by SMC. In this framework, a systematic approach is outlined to assess, manage and communicate risk information to senior management to support decision-making and oversight. Other notable achievements since SSHRC enhanced its governance structure include the development of its first corporate plan, as well as *Framing our Direction*, its strategic plan going forward.

Toward the end of the audit, it was learned that new committees were being proposed to improve efficiency and provide better governance coverage over key corporate areas. Currently, SSHRC and NSERC share corporate services in three areas: information management and technology (IM/IT), human resources, and finance. The benefit of a common-services approach structure is that it has the potential to create efficiency by removing duplication of effort in dealing with common policy or operational issues between the two agencies. Within this shared-services model, there is currently only one shared governance body, IM/IT Bi-Council, a committee that provides strategic direction, planning advice and policy direction in the areas of information management and IT. While it is outside the scope of this audit to comment on the effectiveness of this shared-service governance model, it is unclear why other corporate areas—namely finance and human resources (HR)—do not operate with the same kind of common-service governance and therefore do not receive the same level of oversight as the IM/IT area. This should be considered if changes to governance in the corporate areas are being proposed.

5.2 Greater clarity has been achieved in identifying the roles and responsibilities of individuals in corporate areas.

The audit found that SSHRC has made significant progress in clarifying decision-making for key corporate areas such as HR. In early 2011, SMC approved SSHRC's delegation-of-authority matrix for HR. This document clarified which levels of management would be involved in specific decisions, differentiating strategic-level decisions from those at an operational and working level. For example, the matrix clarified that the approval of HR policies and organizational structural changes for the executive cadre would rest with senior management, while approval of new positions would rest with a functional authority (i.e., director of HR). Work is also under way in the area of finance to identify critical decisions related to budgets (operational and grants), and the appropriate level of decision-making for this key corporate function.

6. AUDIT FINDINGS: AREAS FOR IMPROVEMENT

6.1 Clarity of Roles and Responsibilities

6.1.a Roles and responsibilities within the internal governance structure require greater clarification and communication.

The audit found a lack of clarity among management concerning the roles of internal governance committees and the responsibilities of these bodies vis-à-vis each other. This lack of clarity contributed to confusion, delays and decisions possibly being made at an inappropriate level (i.e., operational-related matters being addressed by strategic-level committees).

The lack of clarity may stem, in part, from problems with role identification within the committees themselves. Some terms of reference were found to not explicitly identify whether

the committee played an oversight, decision-making, advisory or information-sharing role (or a combination) vis-à-vis their mandate. For example, OMC's mandate indicates that the committee "is responsible for the effective implementation of corporate and divisional priorities, ensuring integration and alignment across divisions through proper use and management of resources and policies." However, it is not clear whether OMC's role is to make binding decisions, whether the committee will provide recommendations to SMC, or whether OMC members will simply share information to ensure effective implementation and integration of priorities and resources. Similarly, some of OMC's specific responsibilities also lacked clarity. The committee's terms of reference indicate that it is responsible for mobilizing resources in a timely manner to respond to changing priorities. However, it is not clear which role the committee will assume when delivering on this responsibility (i.e., oversight, decision-making or advisory). The audit also noted a similar lack of clarity in IM/IT Bi-Council's mandate and responsibilities. While that committee's terms of reference appear to suggest that it is both an approval and advisory body, IM/IT Bi-Council does not report to any other committee (see Appendix I). As such, it is unclear whether the committee is truly advisory.

Despite a general lack of clarity, the audit did note some exceptions. For example, the audit noted that PEC had a clear purpose, as well as defined roles and responsibilities, much of which could be attributed to its adherence to Treasury Board's Policy on Evaluation. SSHRC's PRC was also found to demonstrate clarity in purpose and role.

The reasons why the roles of key committees have not been clearly identified are likely multifaceted. However, the difficulty in identifying which committees perform which roles may be exacerbated by the absence of commonly used (and agreed upon) role definitions within corporate documentation. The audit did not find evidence of terminology to help define what it means for a committee to be a decision-making body (i.e., what constitutes a decision, and what are the activities involved in decision-making?), an oversight body (i.e., what constitutes oversight and what are the activities required?), or an advisory or information-sharing body. As a result, committees may be performing roles according to subjective interpretations, which may vary between committees and even between members of the same committee.

Additionally, the audit found that the internal governance structure itself was not clearly or sufficiently communicated to the organization. Most notable was the absence of documentation identifying ownership over SSHRC's internal governance structure to ensure committees were operating in a co-ordinated manner in support of corporate objectives. Furthermore, apart from a schematic in the appendices of the 2010 Corporate Plan, the audit did not find a comprehensive governance diagram depicting the various committees and their place in the governance structure. Of the governance information that was available to staff, much of it was focused on individuals and selected committees and was largely inconsistent: committee descriptions and membership lists were available for some committees but not for others; minutes were not readily accessible for all committees; and, of the minutes for key committees that were accessible, some were not up to date.

Overall, findings suggest that, in the absence of clarity and comprehensive documentation, committees may not fully understand how they are supposed to contribute to the achievement of corporate objectives. Furthermore, if committees do not clearly comprehend their roles and responsibilities, they may not be able to deliver on them.

6.2 Clarity of Reporting Relationships and Accountability

6.2.a Internal governance committees have not been fully integrated through formal reporting relationships and expectations to promote the efficient flow of information and accountability.

The audit found that key committees, such as IM/IT Bi-Council, were not linked through formal reporting relationships with the rest of the internal governance structure. For instance, IM/IT Bi-Council's terms of reference indicate that the committee provides strategic direction, planning advice and policy direction. However, the terms of reference do not indicate to which body it provides these services, how this committee uses relevant information produced by other committees to provide direction, or how the information/discussion generated from committee meetings will be communicated to the rest of the governance structure to facilitate decision-making at other levels. The absence of key linkages is particularly problematic for the relationship between IM/IT Bi-Council and SMC, both of which are responsible for SSHRC's strategic direction. Without a clear relationship between the two committees, there is a risk that priorities and objectives are not adequately communicated to ensure alignment of their work.

Reporting relationships were also found to be unclear in other areas of SSHRC's internal governance. In particular, the audit found that PCC was not formally linked to the rest of the structure. As per the terms of reference, PCC reports to and seeks final approval for its recommendations from PMC. However, PMC does not operate as a formal committee and does not formally report to any other committee within the structure.

The audit found that, when formal relationships did exist between committees, there were few expectations placed on committees to ensure reporting occurred. For example, while OMC reports to SMC and, as per its terms of reference, is supposed to submit specific documents (i.e., summaries, chair's reports and annual review) to SMC, this has not occurred. Furthermore, more specific requirements regarding the report type, format, frequency and timing have not been fully established. As such, while OMC officially reports to SMC and shares their minutes, it does not regularly submit documentation (i.e., summary reports, memos, communiqués, performance evaluations) in relation to set requirements. With reporting expectations absent, CIAD was informed that senior management committees did not always receive the appropriate documentation required to facilitate strategic-level decision-making and oversight.

Informal mechanisms were often used for reporting in place of formal reporting. CIAD was informed that information between committees was often transmitted via discussions between senior management and their direct reports. For example, information generated by OMC was said to be communicated to SMC through discussions between individual directors and their vice-presidents. Likewise, information from SMC could be sent down to OMC in the same manner. While this is a legitimate and expedient method of reporting, it relies heavily on the individual communication style and diligence of those involved. As such, an overreliance on this approach could result in inconsistent and inaccurate communication of information.

Without fully integrated relationships and formal reporting expectations, committees' accountability for delivering on their roles and responsibilities was also found to be unclear. The audit found that committees' terms of reference did not identify how the committees would be held accountable or the body (or individual) that would hold the committees to account for their performance. The one exception to this was found in the terms of reference for OMC. These indicate that OMC's performance would be reviewed annually and the results submitted to SMC. However, the audit did not find any evidence to suggest this has happened. It is important to note that, without clarifying the accountability to deliver and without creating corresponding performance expectations, SSHRC will not be able to gauge whether

committees are carrying out their roles and responsibilities and providing a "value added" to the overall functioning of the internal governance structure.

In sum, it is important to underscore that, without formalized and integrated relationships (supported by reporting expectations), there is limited assurance that the information will flow up and down the governance structure to support committees in the delivery of their mandates. Furthermore, in the absence of formal reporting expectations, it is difficult for committees to be held accountable for delivering on their mandates.

6.3 Decision-Making and Oversight Processes

6.3.a Decision-making and oversight processes for strategic initiatives are evolving.

For this audit, CIAD examined the decision-making and oversight processes of two key corporate initiatives: SSHRC's corporate risk management and the Program Architecture Renewal (PAR).

The audit found that the manner in which SSHRC manages risk, through its corporate risk management initiative, contained important elements of process that promote efficiency.

First, the audit found that SSHRC had significantly clarified roles and responsibilities in the area of risk management. As previously mentioned, the completion of SSHRC's first CRP was championed by the EVP. Subsequent to the completion of this, CRMF was developed, identifying specific risk "owners" and "co-ordinators" for each of the high/medium and low risks. The activities related to these roles have also been defined. For example, "high risk" co-ordinators are responsible for validating the information entered into the risk templates, while the risk owners monitor and report on risk information. Furthermore, SMC has been identified as the internal governance body tasked with reviewing and approving the risk information.

Second, the audit found that, with the development of CRMF, risk reporting has been formalized. In short, CRMF establishes a reporting relationship between the risk owners and senior management. Furthermore, it creates expectations for reporting and identifies the mechanisms that will be used to transmit risk information. For example, within the new process, owners of "high risks" are required to submit progress reports to SMC twice a year on the implementation of their mitigation strategies. Furthermore, the mechanisms used for reporting are also formal. Owners are expected to submit their risk information using a pre-defined template that incorporates information on controls and root causes.

Third, the organization's risk management framework identifies various steps and activities for ongoing monitoring, assessment and reporting to specific committees (i.e., OMC/SMC); these steps follow a cycle. As part of the risk management process, OMC and SMC will conduct a risk assessment (i.e., risk assessment "light") once a year to update the risk register and to take into account changes in controls. The information gleaned from the annual reporting is intended to be integrated into SSHRC's annual Fall priority setting and integrated planning exercise. The first update to SMC on SSHRC's corporate risks is slated for October 2011.To complete the assessment and reporting cycle, SSHRC will review and update its CRP once every five years, with oversight of this cycle provided by senior management.

As for PAR, at the time of the audit, decision-making frameworks and more formalized oversight processes supporting efficiency for PAR were found to be still at a developmental stage. Despite limited documented process, it is important to note that decision-making and oversight activities have clearly occurred for major design and policy issues, including project management approaches; this has allowed the project to progress successfully from the conceptual phase through to implementation. SMC was the formal steering committee for the first phase of the project; key design and policy decisions were made and documented with this

committee. However, how the decisions were made and the manner in which oversight was performed could not be discerned clearly in all cases from the minutes and available documentation. A project-specific steering committee has since been established.

While the audit set out to examine decision-making and oversight process in SSHRC's key initiatives, CIAD was informed of an absence of documented process in other key areas of SSHRC's business, such as policy development and implementation. In the absence of a formal process in which decision points are clear, SSHRC appears to rely on consultation and information-sharing. CIAD was informed that SSHRC sometimes engages groups of individuals rather than a strategic few when making decisions that affect the organization. The benefit of this approach is that it is inclusive and incorporates the input of a wide range of stakeholders. However, given the amount of time and the resources required to accomplish this, the cost-benefit may be less than optimal.

In the absence of clear and documented processes, SSHRC has limited assurance that the approaches taken are the most efficient and that the minimum amount of resources (i.e., consultation, committees' time) is used to produce quality and timely outcomes in key areas of its business.

6.4 Recommendations

1. It is recommended that SSHRC identify clear ownership and accountability over internal governance from a broader corporate perspective, and examine and clarify the roles and responsibilities of the internal governance committees in relation to their mandates and to each of their functions.

2. It is recommended that SSHRC develop a lexicon of terms in the area of governance to promote a common understanding among committee members and staff (see Appendix IV for examples).

3. It is recommended that SSHRC review the reporting relationships and integrate each of the internal governance committees into the larger internal governance committee structure. Part of this should also include formalizing the reporting mechanisms and expectations for in-coming and out-going reporting to support the relationships between committees.

4. It is recommended that SSHRC review and update committees' terms of reference to ensure consistency. Terms of reference should include an "accountability section" to clarify accountability and to provide greater assurance that committees will deliver on their roles and responsibilities.

5. It is recommended that SSHRC identify key areas of its business that require greater process formality (i.e., strategic initiatives, policy, IM/IT). For these areas, SSHRC should consider developing decision and oversight process frameworks identifying roles/responsibilities/accountabilities, steps and activities involved, decision and monitoring points, committees and individuals involved, and the points in the process where they are required.

6. It is recommended that SSHRC develop an effective approach to communicating all internal governance-related changes and updates to the organization.

7. CONCLUSION

Governance, while critical to achieving the strategic and operational objectives of any department, is highly complex and therefore more of an art than a science. SSHRC has made considerable progress in the area of internal governance in recent years. Nevertheless, the audit found areas in which greater efficiency could be achieved. In brief, SSHRC can enhance efficiency by clarifying roles, responsibilities and accountabilities; by formalizing reporting relationships and expectations to ensure the flow of appropriate and sufficient information; and by developing decision-making and oversight processes in key areas of its business. These improvements should be seen as an opportunity to fine-tune a structure that is already in the process of improving and responding to internal and external changes.

When addressing the recommendations, SSHRC should consider the roles and responsibilities of key individuals (i.e., executive vice-president, vice-presidents and directors) who are part of the governance structure in the broader sense and who will be instrumental in making the necessary improvements. The interdependency between these individuals and the structure is key to ensuring that the organization's internal governance functions in a manner that supports its mandate. It therefore should not be underestimated.

In determining the balance between the degree of improvement necessary with a desired level of efficiency, SSHRC will inevitably reflect on its values and, perhaps more importantly, the corporate culture in which it delivers its mandate. As discussed above, governance can be seen as an interaction between structures and processes, both of which are influenced by the culture—the norms and values—of the organization. While the audit did not examine culture explicitly, elements of culture can be extrapolated from the findings and used to identify key considerations in developing a management response. In brief, findings suggest that SSHRC places a great deal of emphasis on the quality of professional relationships and discussions between management and staff to relay information; it values the flexibility of unscripted processes and procedures in managing specific areas; and it emphasizes inclusiveness and consultation. As such, in determining how internal governance will be improved to support the organization in the years ahead, SSHRC will need to consider the optimal balance between formality and informality given its maturity level, size and specific needs.
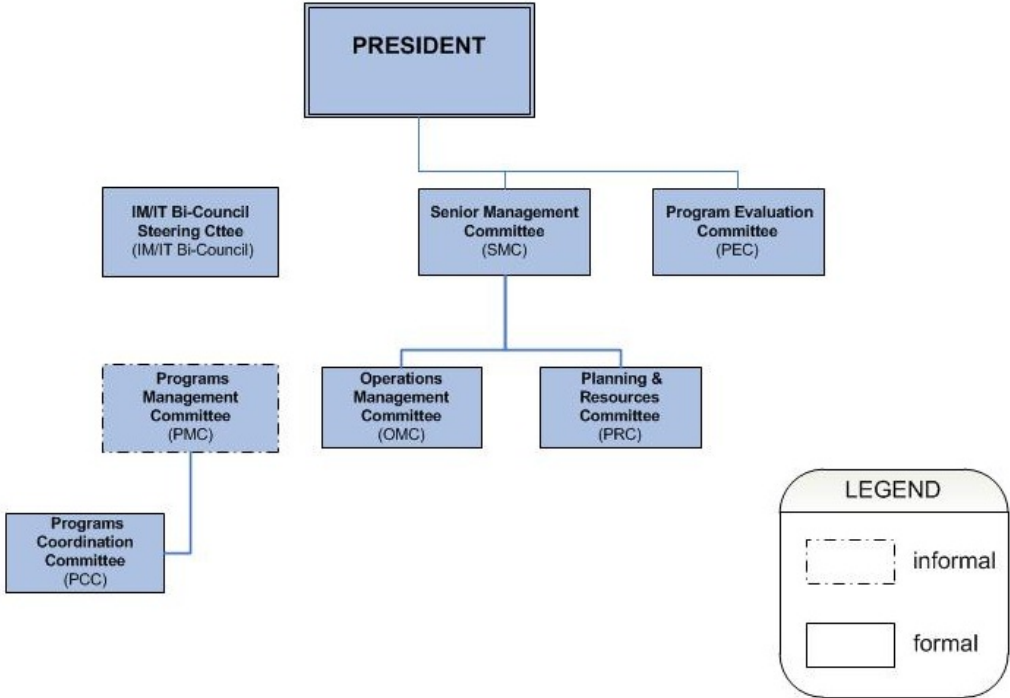
8. MANAGEMENT RESPONSE TO AUDIT RECOMMENDATIONS

November 2011

Audit Recommendations		Management Response		
Areas of Improvement	Recommendation	Response	Responsibility	Timeline
Clarity of Roles and Responsibilities *6.1 Roles and responsibilities within the internal governance structure require greater clarification and communication*	Identifies clear ownership and accountability over internal governance from a broader corporate perspective; and examines and clarifies the roles and responsibilities of the internal governance committees in relation to their mandates and each of their functions.	Accepted Accountability over internal governance has been assigned to the Executive Vice-President (EVP), and ownership to the Planning, Policy, Governance and International Division (PPGI). SSHRC is reviewing its internal governance committee structure. As part of this review, each committee's mandate, roles, responsibilities and functions will be examined and clarified.	EVP / PPGI	December 2012
	Develops a lexicon of terms in the area of governance to promote common understanding among committee members and staff	Accepted A lexicon of governance terms is being developed. Once finalized, it will be communicated to staff as part of the larger plan to communicate changes/updates to the internal governance structure (see recommendations #6).	PPGI	March 2012
	Reviews and updates committees' ToR to ensure consistency. ToR should include an 'accountability section' to clarify accountability and provide greater assurance that committees will be expected to	Accepted The TOR of all committees will be revised according to best practices. Accountability will be clarified and documented, and a yearly performance assessment for all	PPGI	March 2013

Audit Recommendations		Management Response		
Areas of Improvement	Recommendation	Response	Responsibility	Timeline
	deliver on their roles and responsibilities.	committees will be put in place.		
	Develops an effective approach to communicate all internal governance-related changes and updates to the organization.	Accepted An internal communication plan will be developed to share up-to-date governance-related information, such as committee terms of reference and the governance lexicon, with staff, including (recommendation #2).	COMM	June 2012
Clarity of Reporting Relationships and Accountability *6.2 Internal governance committees have not been fully integrated through formal reporting relationships and expectations to promote the efficient flow of information and accountability*	Reviews the reporting relationships and integrates each of the internal governance committees into the larger internal governance committee structure. Part of this should also include formalizing reporting mechanisms and expectations for in-going and out-going reporting to support the relationships between committees.	Accepted The reporting relationships, mechanisms and expectations between all internal governance committees will be clarified and documented.	EVP	March 2013
Decision-making and oversight processes *6.3 Decision making and oversight processes for strategic initiatives are evolving*	Identifies key areas of its business that require greater process formality (i.e., strategic initiatives, policy, IM/IT). For these areas, SSHRC should consider developing decision and oversight process frameworks identifying roles/responsibilities/	Accepted The governance requirements of key corporate functions are being identified as part of the review of the internal committee structure. Roles, responsibilities and accountabilities for each of these key areas will be reviewed and decision-making and	EVP	March 2013

Audit Recommendations		Management Response		
Areas of Improvement	Recommendation	Response	Responsibility	Timeline
	accountabilities; steps and activities involved; decision and monitoring points; committees and individuals involved and at which points in the process they are required.	oversight processes clarified and documented. The governance requirements of strategic initiatives will be assessed as part of corporate priority setting and integrated planning processes, leveraging the tools and principles of the Project Management Framework.	VP CASD	

APPENDIX I: SSHRC Internal Governance Structure

APPENDIX II: Internal Governance Committee Descriptions

Senior Management Committee (SMC)

Mandate	The Senior Management Committee is responsible for setting the vision and broad strategic directions for the effective functioning of the Social Sciences and Humanities Research Council.
Description	SMC's primary responsibilities are to: – set the vision and values of SSHRC and reinforce those through leadership and example; – establish the program activity architecture (PAA) that defines the strategic outcomes and key program activities of SSHRC; – approve and oversee the implementation of the Multi-Year Strategic Plan and the Corporate Plan; – articulate high-level strategies and approve long-term and annual corporate priorities to set the direction for program delivery (the annual strategies and priorities are conveyed to Parliament through the Report on Plans and Priorities); – oversee the performance of SSHRC and consider performance information in strategic decision-making (e.g., Parliament is informed through the Departmental Performance Report); – review and approve policies and programs (their revision and/or termination) for delivering the organization's mandate with particular attention to ensure their internal coherence and continued relevance; – approve the allocation and re-allocation, and ensure the adequacy, of human, financial, IM/IT and other materiel resources at the level of the directorates, including the final review and approval of business cases; – approve items for discussion at meetings of Council and Council committees.
Composition	There are five SMC members: the president acting as chair, EVP, and VPs of CASD, Research Directorate and Research Capacity Directorates.
Meeting frequency	SMC meetings are held bi-weekly.

IM/IT Bi-Council Steering Committee (IM/IT Bi-Council)

Mandate	The IM/IT Bi-Council Steering Committee provides strategic direction, planning advice and policy direction for information management and information technology services found within CASD for both NSERC and SSHRC.
Description	The IM/IT Bi-Council Steering Committee is responsible for: – formulation of the organization's vision, values and key goals; – involvement in and approval of the IM/IT Strategic Plan and assuring alignment with the vision and mandate of the Councils; – providing advice and expertise in planning and policy development; – approving major IM/IT projects and related resource allocation; – meeting quarterly to review project and financial status, operational

	plans, audit reports, etc.
Composition	There are seven members of IM/IT Bi-Council, including: VP, CASD; EVPs of SSHRC and NSERC; VPs of SSHRC's Research Directorate and Research Capacity Directorate; and VPs of NSERC's Research Partnerships Programs and Research Grants and Scholarships. Although not yet formally identified in the committee's terms of reference, there are additional participants in IM/IT Bi-Council meetings: the executive director, Information Management and Technology Services (IMTS); the director of IT; and the chief, Information Management. IMIT Bi-Council is chaired by the EVP NSERC or SSHRC (on an annual rotational basis).
Meeting frequency	The IM/IT Bi-Council Committee meets on a quarterly basis.

Performance and Evaluation Committee (PEC)

Mandate	SSHRC's Performance and Evaluation Committee ensures the integration of evidence-based decision-making into SSHRC's management structure and practices through guidance and oversight of the organization's performance and evaluation functions.
Description	In order to carry out its mandate, SSHRC's PEC: – develops, on the advice of the Head of Evaluation, a rolling five-year evaluation plan and recommends approval by the president; – reviews key elements of performance and evaluation product lifecycles (e.g., Departmental Performance Report, terms of reference for evaluations, etc.) and recommends approval by the president; – develops and ensures the implementation of SSHRC's overall strategy for measuring performance and impacts; – reviews management responses to evaluations and related actions plans, recommends approval by the president and ensures follow-up to the action plans; – reviews the adequacy and neutrality of resources allocated to the evaluation function and recommends to the president an adequate level of resources consistent with the five-year evaluation plan; – reviews the adequacy of resources allocated to performance measurement activities and recommends to the president an adequate level of resources for these activities; and – reviews the president's report to Council on SSHRC's performance and evaluation functions. SSHRC's president reports to Council and the Programs and Quality Committee in his/her capacity as chair of PEC.
Composition	PEC is composed of five VP-level representatives, including the president as chair; EVP; VP, CASD; and VPs of the Research Directorate and Research Capacity Directorate.
Meeting frequency	PEC meets minimally on a quarterly basis, in line with SSHRC's corporate planning and reporting cycle.

Operations Management Committee (OMC)

Mandate	The Operations Management Committee is responsible for the effective implementation of corporate and divisional priorities, ensuring integration and alignment across divisions through proper use and management of resources and policies.
Description	The OMC is responsible for: – providing input, advice and recommendations to SMC on long-term and annual corporate priorities; SSHRC's strategies and policies; the management of human, IM/IT and financial resources, key planning and reporting documents; – assessing the feasibility of implementing corporate and divisional priorities in accordance with high standards of quality and in the context of ongoing business operations; – mobilizing the organization's resources in a timely manner to respond to new and/or changing priorities as required; – monitoring and assessing progress toward achieving anticipated results of corporate and divisional priorities and recommending specific actions to SMC on any significant variances to commitments; – reviewing and validating business cases in the early stages of development and making recommendations to SMC; and – sharing critical information from various internal working committees. OMC reports to SMC.
Composition	OMC is composed of director-level representatives at the executive level.
Meeting frequency	OMC meetings are held bi-weekly.

Planning and Resources Committee (PRC)

Mandate	The Planning and Resources Committee is an advisory committee to SMC and oversees the development and implementation of key components of the Grants and Fellowships Budget Management Framework. The committee's informed recommendations to SMC, for final approval, will ensure that SSHRC better manages its financial resources for the grants and fellowships envelope, aligns them with the corporate priorities, and makes better informed decisions. The committee focuses its efforts on the most pressing issues, determined in consultation with SMC.
Description	PRC is responsible for: – identifying the foundational elements of the framework and how they will be implemented; – providing guidance to the Budget Contact Network; – developing a plan for in-year reallocations; – ensuring an orderly close to the fiscal year; – monitoring the implementation of specific components of the framework; – developing a strategy for knowledge building to empower key stakeholders

	and monitoring its implementation; – aligning the budget cycle with the strategic planning cycle; and – overseeing the implementation of the transition plan. The committee chair will be responsible for reporting recommendations from the committee and progress on the project to SMC.
Composition	PRC is composed of director-level representatives: VPs of the Research Directorate and Research Capacity Directorate at decision-making meetings: director, Finance and Awards Administration (chair); director, Policy, Planning and International Affairs; director, Research and Dissemination Grants; director, Fellowships and Institutional Grants; director, Strategic Programs and Joint Initiatives; director, Knowledge Mobilization and Program Integration.
Meeting frequency	Meetings are held every third week.

Programs Management Committee (PMC)

Mandate	The Programs Management Committee is intended as a forum for information-sharing, discussion and advice among managers within the Grants and Fellowships and Partnerships branches.
Description	PMC's responsibilities are to: – coordinate branch requirements and priorities of the Grants and Fellowships and Partnerships Branches, including the identification of issues where concerted action is required; – ensure consistency in interpreting Council policies and guidelines, and provide a management forum to which directors can bring issues on which they wish guidance; – provide advice and guidance to the VPs or other members regarding key issues to be discussed at corporate management committees; this may include vetting of documents for presentation to SMC and OMC where appropriate; and – brief committee members on key activities and events, and on important developments in other branches at SSHRC.
Composition	PMC is composed of all directors within the two programs directorates, VPs of the Research Directorate and Research Capacity Directorate, and senior policy advisors. The committee is chaired by one of the VPs, on a six-month rotational basis.
Meeting frequency	PMC meetings are held on a bi-weekly basis, or more frequently if needed.

Programs Coordination Committee (PCC)

Mandate	The mandate of the Programs Coordination Committee is to share information on new program initiatives, to propose policy changes, and to ensure a common vision on program-related issues, including developing standardized policies and guidelines where appropriate.
Description	The functions of the PCC are to: – bring up for discussion issues and concerns related to program business processes, policies, delivery of electronic services to the community and knowledge management; – schedule and co-ordinate policies and program-related activities that are beyond the scope of the Competition Operational Working Group (COWG) and the User Requirement Group (URG) (these two committees currently inactive); – ensure that all SSHRC stakeholders receive timely and accurate information about program initiatives and changes, including all aspects of delivery of electronic services and, in particular, about application procedures, program descriptions and program-relevant policies; – identify and recommend to the PMC changes to business process, policy, electronic delivery service and knowledge management; and – advise PMC about policy changes that affect programs. The PCC reports to, and seeks final approval of its recommendations from, PMC. The chair of PCC represents the committee at PMC meetings.
Composition	There are six members in the PCC's core group, including the director of KMPI and five members from programs areas. There are 18 members in the plenary group.
Meeting frequency	PCC meetings are held on a monthly basis. The plenary group meets with the core group every two months.

APPENDIX III: Audit Areas, Criteria and Sources

Audit Areas	Audit Criteria	Criteria Expectations	Sources
Clarity of roles and responsibilities	The roles and responsibilities of internal governance committees are clear and communicated. The oversight body (or bodies) has a clearly communicated mandate that includes roles with respect to risk management.	Roles and responsibilities, whether for individuals or committees, are critical to internal governance. They identify parameters of effort, ensuring that critical functions in the achievement of objectives are considered, assigned and can be monitored. As a result, the extent to which identified roles and responsibilities are clear has a direct relationship with efficiency. Roles and responsibilities are considered clear if they are specific and unambiguous. Whether formal or informal, roles and responsibilities should identify whether committees/individuals play an oversight, decision-making (i.e., approval), advisory/ recommendation-making or information-sharing role, or any combination of these vis-à-vis specific functions. Furthermore, common definitions should be used to ensure clarity and consistency. For example, there should be agreement within the organization as to what constitutes "oversight" and the activities involved in that function (i.e., monitoring to expectations, providing follow-up). Clarity is also enhanced by ensuring that accountability for delivering on roles and responsibilities is documented and that this information is communicated to the organization, either through terms of reference or corporate documentation. In creating greater clarity around roles and responsibilities, efficiency is enhanced by minimizing role overlap, duplication of effort and confusion that can impact timeliness.	Core Management Controls: Office of the Comptroller General, 2007 Framework for the Management of Risk: Treasury Board Secretariat, 2010

Audit Areas	Audit Criteria	Criteria Expectations	Source
Clarity of reporting relationships	The internal governance committees have clearly defined and delineated reporting relationships to facilitate the flow of information.	Reporting is the manner in which information is transmitted throughout the organization to ensure that information of importance can be used to keep staff informed and help individuals and committees deliver on their roles and responsibilities. Reporting relationships are the links that ensure the communication of information. If relationships are not established, information of corporate value may not reach the audience it is intended to assist; hence the close relationship between reporting relationships and efficiency. Reporting relationships are considered clear if the linkages are unambiguous and are supported by a process in which information moves up to senior management and back down throughout the organization. Furthermore, reporting relationships are clear if discernible mechanisms exist to transmit the information. Such mechanisms can include cross-committee representation (i.e., the chair of one committee sits on another) and receipt of reports, minutes, communiqués and evaluations. When formal relationships exist, they should also be supported by clear reporting requirements (i.e., timing, frequency, standards, type, format) to ensure parties receive timely and pertinent information to deliver on their roles and responsibilities. Clear reporting relationships facilitate efficiency by providing assurance that the parties involved will receive the sufficient and appropriate information required. In the case of senior management, the efficiency of reporting can significantly affect its ability to provide oversight for the achievement of corporate objectives.	Core Management Controls: Office of the Comptroller General, 2007

Audit Areas	Audit Criteria	Criteria Expectations	Source
Existence of clear and communicated processes to facilitate decision-making and oversight for key strategic initiatives	Documented processes exist that support timely decision-making and oversight for strategic initiatives.	Decision-making and the provision of oversight within an organization are crucial to the achievement of corporate objectives. These functions are rarely performed unilaterally or by one individual. Rather, decisions and oversight are the products of a chain of events that includes information-sharing and consultation with individuals, divisions and committees. Because of the complex nature of these functions and the different layers of an organization that need to be involved, decision-making and oversight can be laborious and time consuming. One method of achieving efficiency is to create process around these functions. However, process alone does not enhance efficiency. Rather, to achieve greater efficiency in decision-making and oversight, processes should clearly identify the steps and activities (i.e., information-sharing, consultation, recommendation, approval) involved at specific points in time; identify the committees and individuals deemed as being absolutely necessary to the process and the specific points at which their involvement is required; and ensure that the value of each parties' contribution is unambiguous and justified. In establishing greater process, efficiency is enhanced by ensuring that every step and party involved serves a unique purpose, that roles do not overlap and that duplication of effort is minimized. Furthermore, creating documented process can reduce the confusion that leads to delays.	Core Management Controls: Office of the Comptroller General, 2007

APPENDIX IV: Examples of Definitions - Committee Functions

Decision-making: The process of selecting from one or more alternatives (i.e., choices, products or ideas) and committing to action in order to bring about a desired result. Steps in decision-making include defining the situation, generating alternatives, gathering information, selection and action. For decision-making to be effective, responsibility for making decisions should correspond to a delegated authority to enforce decisions. If the process of decision-making is formal, the accountability for decisions rendered should be clearly defined.

Oversight: The process of monitoring the progress and performance (in the short, medium and long term) of a product, process or initiative against set expectations (i.e., facilitated through the use of tracking tools, checklists, evaluations). Oversight also requires that adjustments and corrective action are taken to ensure expectations are met. It is important to note that effective oversight requires delegation of oversight responsibility to correspond to the authority to take corrective action. When the process of oversight is formal, the accountability to deliver on the success of the process, product or initiative in question should be clearly defined.

Information-sharing: The process of exchanging knowledge formally (i.e., through documents, memos, briefs, reports) or informally (i.e., discussion) for the purpose of informing stakeholders of information pertinent to the delivery of their roles and responsibilities. This process is particularly critical in supporting decision-making and oversight functions.

Advisory: The process of making suggestions and recommendations in either a formal (i.e., documented recommendations) or informal manner (i.e., discussion). It is important to note, if a party or committee is going to have an advisory role, that the authority be granted to it and mechanisms are established to communicate the suggestions and recommendations to the recipient or receiving body.

Audit Team:

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