

Minister of Canadian Heritage
and Multiculturalism



Ministre du Patrimoine canadien
et du Multiculturalisme

Ottawa, Canada K1A 0M5

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

OCT 05 2018

Dear Mr. Sorenson:

Pursuant to Section 109 of the Standing Orders of the House of Commons, I am pleased to provide the Government of Canada's response to the 48th Report of the Standing Committee on Public Accounts entitled *Special Examination Report – National Capital Commission, of the Fall 2017 Reports of the Auditor General of Canada*, tabled in the House of Commons on June 8, 2018.

I appreciate and value the important work undertaken by the Standing Committee in conducting a review of the special examination of the Auditor General of Canada, which examined whether the systems and practices selected for examination at the National Capital Commission (NCC) provide the Crown corporation with reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively.

The Government is pleased to report back to the Standing Committee on its two recommendations. To this end, the enclosed information details the specific responses of the NCC to the Standing Committee's recommendations.

I would like to thank you and the members of the Standing Committee for your important work.

Please accept my best wishes.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Pablo Rodriguez', with a stylized flourish at the end.

The Honourable Pablo Rodriguez, P.C., M.P.

Enclosures

Canada 

GOVERNMENT RESPONSE

National Capital Commission Responses to Public Accounts Committee Recommendations

Recommendation 1: Enterprise Risk Management Framework

National Capital Commission should provide the House of Commons Standing Committee on Public Accounts with a report outlining the progress of the Corporation's new enterprise risk management framework and how it sets risk tolerances, assesses strategic and operational risks through a consistent and integrated process, and provides comprehensive risk information for decision-making.

Response from the National Capital Commission to Recommendation 1

The National Capital Commission (NCC) is pleased to provide, as requested by the Standing Committee, its report outlining the progress of its enterprise risk management framework. The report details how the framework sets risk tolerances, assesses strategic and operational risks through a consistent and integrated process, and provides comprehensive risk information for decision-making.

As recommended by the Auditor General, in February 2018, the NCC's senior management approved a comprehensive enterprise risk management framework that:

- sets risk tolerances;
- allows for the assessment of strategic and operational risks through a consistent and integrated process; and
- supports the provision of comprehensive risk information as part of the decision-making process, including regular reports to the commissioners (commonly referred to as the Board of Directors).

The framework was presented to the NCC's Board of Directors in April 2018.

The NCC enterprise risk management framework identifies the NCC's risk attitude, risk analysis and evaluation methodology, risk tolerance and risk response based on industry best practices, including Treasury Board's Framework for the Management of Risk.

Furthermore, the framework outlines roles and responsibilities as well as procedures with respect to the identification, assessment, evaluation, monitoring and reporting of corporate, operational and project risks at the NCC in support of an integrated process for risk management at all levels.

In accordance with the framework, corporate risks are assessed and evaluated on a quarterly basis by the Executive Management Committee. Progress against mitigation measures is tracked and accounted for in quarterly performance reports, and reviewed and approved by the Board of Directors. Moreover, all submissions to the Board of Directors include an evaluation of relevant risks, including impacts and mitigations, to better inform decision-making.

As a continuation of the implementation of its risk management strategy, the NCC has also developed an inventory of operational risks that is updated quarterly.

Ongoing staff training is also provided throughout the organization.

The NCC will continually mature its risk management practices to ensure that comprehensive risk information is provided on a consistent and integrated basis for decision-making.

Recommendation 2: Asset Management

NCC should provide the Committee with a report outlining its progress regarding A) the Corporation's asset management plans; and B) the related steps pertaining to its 2018-19 to 2022-23 corporate plan, as stated in the Detailed Action Plan tabled on April 30, 2018.

Response from the National Capital Commission to Recommendation 2

The National Capital Commission (NCC) is pleased to provide, as requested by the Standing Committee, its report outlining its progress regarding its asset management plans, as stated in the Detailed Action Plan tabled on April 30, 2018.

As part of the NCC's efforts to fully determine the nature and extent of the impact of deferred maintenance on its large and diverse portfolio of assets, the Corporation conducted a detailed analysis of the condition of assets and infrastructure in 2016 and 2017. It was determined that more than one quarter of the NCC's assets were in fair, poor or critical condition.

This detailed analysis allowed the Corporation to estimate the annual recapitalization and maintenance requirements and to prioritize work based on condition and impact on Canadians. Furthermore, based on this analysis, the NCC developed as a baseline, a 10-year recapitalization and maintenance plan to restore assets to "good" condition and maintain them as such.

As stated in its Detailed Action Plan, provided in response to the OAG's recommendation, the NCC's final expected outcome is the implementation of asset management plans to restore and maintain the Corporation's assets to an appropriate level of condition. To achieve this outcome, the Corporation has identified the need to address the condition of NCC infrastructure and assets as its number one priority over the 5-year period.

With the additional \$55 million accorded by the government in Budget 2018 for 2018-19 and 2019-20, the NCC can now initiate this plan and address the most high-priority assets.

Indeed, the NCC feels that this is a judicious investment at this time. It is proportional to the corporation's internal capacity to deliver capital projects while addressing the most immediate

risks associated with these assets.

The NCC has also committed that in 2018-19 to 2019-20, it will work towards the completion of asset condition reports in order to provide the foundation for long-term asset management plans.

As of the end of the 2017-18 fiscal year, inspection reports were completed for the NCC's leasing portfolio, bridges, walls, other buildings and pathways. Additionally, asset management plans were completed for the NCC's portfolio of leased properties.

Going forward, in 2018-19, the NCC's asset life cycle management team and information technology team collaborate continually to improve asset data quality and integrity in the NCC's computerized tracking systems to support evidence-based planning and decision-making. Engagement with a third-party expert is also anticipated to discuss and review best practices for life-cycle asset management.

During the time period of 2020-21 to 2022-23, the NCC is committed to deliver on its subsequent two expected outcomes:

- determine a governance structure and portfolio strategy; and
- develop, on a priority-basis, long-term asset management plans.

In 2022-23 and beyond, subject to available funding, the NCC will implement portfolio strategy and long-term asset management plans to progressively bring assets to an appropriate level of condition, thereby achieving the desired final outcome of the Corporation's action plan.