



Canadian Broadcasting Corporation Special Examination Report—2013



Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

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Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

To the Board of Directors of the Canadian Broadcasting Corporation:

We have completed the special examination of the Canadian Broadcasting Corporation in accordance with the plan presented to the Audit Committee of the Board of Directors on 25 January 2012. As required by Section 139 of the *Financial Administration Act* (FAA), we are pleased to provide the attached final special examination report to the Board of Directors.

We will be pleased to respond to any comments or questions you may have concerning our report at your meeting on 21 February 2013.

I would like to take this opportunity to express my appreciation to the Board members, management, and the Corporation's staff for the excellent cooperation and assistance offered to us during the examination.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Maurice Laplante', with a long, sweeping flourish extending to the right.

Maurice Laplante, CA
Assistant Auditor General

OTTAWA, 14 February 2013

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Canadian Broadcasting Corporation Special Examination Report—2013

Main Points

What we examined

The Canadian Broadcasting Corporation (the Corporation, or CBC/Radio-Canada) provides radio, television, and digital services with a wide range of programming, through regional, national and international services. In addition to a head office in Ottawa, the CBC/Radio-Canada has main network operations in Toronto and Montréal, as well as 27 television stations and 82 radio stations where it originates local programming, and 11 foreign bureaus. Its workforce of permanent, temporary, and contract employees totalled about 8,775 in March 2012.

The CBC/Radio-Canada is governed by a Board of Directors and reports to Parliament through the Minister of Canadian Heritage and Official Languages. About 62 percent of its funding comes from Parliamentary appropriations, and the remainder from advertising, specialty services, and other revenues.

We examined whether the Canadian Broadcasting Corporation's systems and practices provide it with reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively. We focused on the areas of corporate governance, strategic planning and risk management, performance measurement and reporting, human resources, programming, financial management, technology management, real estate and space management, and environmental management. Our examination work was completed on 29 June 2012. For details on the conduct of the examination, see **About the Special Examination** at the end of the report.

Why it's important

As Canada's national public broadcaster, the Canadian Broadcasting Corporation is required to make programming available across the country in a manner that satisfies both national and regional needs, while also reflecting the multicultural and multiracial nature of Canada. Services are offered in English, French and eight Aboriginal languages, as well as five languages for international audiences. No other Canadian broadcaster—commercial or public—has the

responsibility to provide the same breadth of services or the same scale and scope of operations as the CBC/Radio-Canada.

What we found

We found no significant deficiencies in the Canadian Broadcasting Corporation's systems and practices. A significant deficiency is reported when there is a major weakness in the Corporation's key systems and practices that could prevent it from having reasonable assurance that its assets are safeguarded and controlled, its resources are managed efficiently and economically, and its operations are carried out effectively. We noted good practices in a number of areas. However, we also noted areas where the Corporation would benefit from improving some of its systems and practices, particularly in its management of human resources.

- The CBC/Radio-Canada has elements of a good corporate governance framework that meets the expectations of best practices for Board stewardship, shareholder relations, and communication with the public. Board members are provided with the necessary orientation and training. We noted that two important strategic plans did not receive timely approval.
- The Corporation has clearly defined its strategic direction. While the Corporation remains an arm's length organization, it has taken into account government priorities, and has specific measurable goals and objectives aimed at achieving its mandate. Strategic planning is informed by identification of risks, and operational plans are aligned with the strategic plan. A performance measurement framework is in place, addressing the significant deficiency identified in our 2005 special examination report. Performance indicators have been identified and implemented, although there are no people management measures included in the framework.
- We noted a number of weaknesses in the Corporation's systems and practices for human resources that could impede its ability to attract, recruit, develop, and retain employees. Despite recent steps to address recruitment and staffing issues, competency profiles do not exist for most occupational groups. In addition, the division responsible for human resources has not had consistent leadership since 2008. During that period the Corporation has had several different strategic plans for human resources. Because of this level of change in strategic direction over a relatively short time, the Corporation risks spending more time and energy on planning rather than on implementing initiatives and moving forward.

- The CBC/Radio-Canada has in place an IT security policy aimed at controlling and protecting the Corporation's IT assets and maintaining data integrity and confidentiality. It also has guidelines containing principles and best practices for security. However, the current policy does not address the handling of sensitive information normally considered to be classified or protected under government policy. We noted examples where the Corporation did not classify and handle sensitive information appropriately.

The Corporation has responded. The Corporation agrees with our recommendations. Its responses follow each recommendation in the report.

Special Examination Opinion

To the Board of Directors of the Canadian Broadcasting Corporation

1. Under section 131 of the *Financial Administration Act*, the Canadian Broadcasting Corporation (the Corporation, or CBC/Radio-Canada) is required to maintain financial and management control and information systems and management practices that provide reasonable assurance that its assets are safeguarded and controlled; its financial, human, and physical resources are managed economically and efficiently; and its operations are carried out effectively.
2. Section 138 of the Act also requires the Corporation to have a special examination of these systems and practices carried out at least once every 10 years.
3. Our responsibility is to express an opinion on whether there is reasonable assurance that during the period covered by the examination—from October 2011 to June 2012—there were no significant deficiencies in the Corporation’s systems and practices.
4. We based our examination plan on our survey of the Corporation’s systems and practices and a risk analysis. On 25 January 2012, we submitted the plan to the Audit Committee of the Board of Directors. The plan identified the systems and practices that we considered essential to providing the Corporation with reasonable assurance that its assets are safeguarded and controlled, its resources managed economically and efficiently, and its operations carried out effectively. Those are the systems and practices that we selected for examination.
5. The examination plan also included the criteria that we used to examine the Corporation’s systems and practices. These criteria were selected for this examination in consultation with the Corporation. The criteria were based on our experience with performance auditing and our knowledge of the subject matter. The criteria and the systems and practices we examined are listed in **About the Special Examination** at the end of this report.
6. We conducted our examination in accordance with our plan and with the standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Accordingly, it included the tests and other procedures we considered necessary in the circumstances. In carrying out the special examination, we did not rely on any internal audits.

7. In our opinion, based on the criteria established for the examination, there is reasonable assurance that during the period covered by the examination there were no significant deficiencies in the Corporation's systems and practices.

8. The rest of this report provides an overview of the Corporation and more detailed information on our examination observations and recommendations.



Maurice Laplante, CA
Assistant Auditor General for the Auditor General of Canada

14 February 2013
Ottawa, Canada

Overview of the Canadian Broadcasting Corporation

9. The Canadian Broadcasting Corporation (the Corporation, or CBC/Radio-Canada) is Canada's national public broadcaster, established by an Act of Parliament in 1936. As the national public broadcaster, CBC/Radio-Canada provides radio, television, and digital services incorporating a wide range of programming that is intended to inform, enlighten, and entertain. It fulfills its broadcasting mandate through regional, national, and international services.

10. The Corporation's current legislative mandate, corporate powers, and governance mechanisms are set out in the 1991 *Broadcasting Act* and the *Financial Administration Act*. The *Broadcasting Act* sets out the broadcasting policy for Canada, as well as the Corporation's programming requirements. These specify that programming by CBC/Radio-Canada should be predominantly and distinctively Canadian, and should reflect Canada and its regions.

11. In addition to its mandate requirements, the Corporation must comply with licensing and other regulatory requirements established by the Canadian Radio-television and Telecommunications Commission (CRTC). It must also meet requirements under the Radiocommunication Act.

12. The Corporation reports to Parliament through the Minister of Canadian Heritage and Official Languages, and to the CRTC by submitting year-end reports and filing annual financial returns. CBC/Radio-Canada is governed by a Board of Directors appointed by the Minister, with the approval of the Governor in Council. The Board's principal responsibilities include approving the strategic direction as well as corporate and business plans for the Corporation, assessing the Corporation's progress in achieving its strategic and business objectives, and overseeing plans and policies for communication to Parliament, the public, and stakeholders.

Eight components of CBC/Radio-Canada

- French Services
- English Services
- Regulatory Affairs
- Strategy and Business Partnerships
- Finance
- People and Culture
- Brand, Communications and Corporate Affairs
- Real Estate and Legal Services

13. As stipulated by its mandate, the Corporation's head office is in Ottawa. In addition, it has main network operations in Toronto and Montréal, and 27 television and 82 radio stations where it originates local programming. Internationally, CBC/Radio-Canada has 11 foreign bureaus.

14. The Corporation's day-to-day operations are managed by a Senior Executive Team, led by the President and Chief Executive Officer and by **eight component** heads. As of March 2012, CBC/

Radio-Canada employed 7,304 permanent full-time equivalent employees, 469 temporary employees, and 1,002 contract employees.

15. Radio and television services have traditionally been the core business of CBC/Radio-Canada, but it also maintains a presence in digital programming. Program offerings include news and current affairs, arts and entertainment, children's programs, and sports. In addition to English and French, CBC/Radio-Canada offers services in eight Aboriginal languages as well as five languages for international audiences. Its primary funding source is a parliamentary appropriation for operations (Exhibit 1).

Exhibit 1 Parliamentary appropriations supply most of the Corporation's funding

Funding source	2011–12		2010–11	
	Amount (\$ millions)	Percentage of total funding	Amount (\$ millions)	Percentage of total funding
Parliamentary appropriations	\$1,162	63%	\$1,167	63%
Advertising revenues	\$376	20%	\$368	20%
Specialty service revenues	\$168	9%	\$158	9%
Other revenues	\$146	8%	\$137	8%
TOTAL	\$1,852	100%	\$1,830	100%

Source: Canadian Broadcasting Corporation, Annual Report 2011–2012

16. In recent years, the Canadian Broadcasting Corporation has faced budget cuts and ongoing non-funded salary increases. This has resulted in a number of workforce adjustment exercises. Under the 2012 Deficit Reduction Action Plan, the government is reducing the Corporation's appropriation by \$115 million over three years, starting in the 2012–13 fiscal year. The reduction includes the elimination of \$60 million in special program funding received by the Corporation each year since 2001. In addition, the Local Programming Improvement Fund, which supports local television programming, will be phased out by 31 August 2014. Contributions from the fund provided \$46 million to the Corporation in the 2011–12 fiscal year.

17. The Office of the Auditor General previously conducted special examinations of the Corporation in 1995, 2000, and 2005.

Focus of the special examination

18. For the 2012 special examination, our objective was to determine whether the Canadian Broadcasting Corporation's systems and practices provide it with reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively. We focused on corporate governance, strategic planning and risk management, performance measurement and reporting, human resources, programming, financial management, technology management, real estate and space management, and environmental management.

19. More details on the audit objectives, systems and practices, and criteria are in **About the Special Examination** at the end of this report.

Observations and Recommendations

Corporate governance

20. Corporate governance refers to the structures, systems, and practices for overseeing the direction and management of an organization. We examined whether the Canadian Broadcasting Corporation (the Corporation, or CBC/Radio-Canada) has a well-performing corporate governance framework that meets the expectations of best practices in board stewardship, shareholder relations, and communications with the public. We did this by conducting interviews with a sample of Board members and senior management, and performing document reviews.

21. We concluded that CBC/Radio-Canada has elements of a good corporate governance framework that meets the expectations of best practices in board stewardship, shareholder relations, and communications with the public. Board members receive the necessary orientation and training. We noted that two important strategic plans did not receive timely approval.

The Corporation has elements of a good governance framework

22. The Board consists of 12 directors, including the President and Chief Executive Officer. Supporting it are the Standing Committees on English and French Language Broadcasting, the Audit Committee, the Human Resources and Compensation Committee, the Governance and Nominating Committee, the Real Estate Committee, and the Strategic Planning Committee. The terms of reference for the Board and its committees were revised and updated in March 2011.

23. We found that the Corporation has elements of a good governance framework. In our 2005 special examination, we found that the Board lacked conflict of interest declarations from two new directors. Our current examination work revealed that the Board has up-to-date, signed conflict of interest declarations from all directors. We also found that the Corporation has approved an approach for self-assessing its competencies and Board skills. In addition, the Corporation provides new directors with orientation and training materials to help them carry out their governance responsibilities. Our review of recent orientation and training information revealed that the Corporation has expanded its guidance for Board members.

24. We examined whether the Corporation has systems and practices in place to manage Board continuity. We found that the Corporation has developed a profile of required skills and experience for the Board as a whole. The Board uses this profile to identify the skill set required when making recommendations to the Minister of Canadian Heritage for filling a Board vacancy. We also noted that the Board updates its mix of needed skills, knowledge, and experience to reflect current director competencies and future requirements as vacancies occur. It also compiles lists of potential candidates for the Minister's consideration when selecting new Board members. During the special examination period, the Corporation submitted a list of potential candidates to the Department of Canadian Heritage to fill a vacant director position. We noted that 10 months after the list was submitted, the position had not yet been filled.

25. An important corporate governance practice is staggering directors' terms of office to avoid a situation in which a board has a significant number of vacancies or new directors at one time. Failure to stagger appointments can undermine the continuity of expertise and corporate memory, as well as the stability of a board's work. In our 2005 special examination, we found that appointments of directors were not properly staggered. During 2012, two new Board members were appointed, one position was vacant, and one term had expired. We also noted that in 2013 the terms of three Board members will expire, including the Chair of the Audit Committee. Consequently, 7 out of 12 Board members could be new in 2013. This shows that the issue of staggering, identified in 2005, has not been completely resolved. However, in 2012 the term of the President and Chief Executive Officer was renewed and the new Chair was appointed from the Board. Accordingly, we believe that continuity in leadership should allow CBC/Radio-Canada to manage the transition and any further changes to Board membership.

26. In May 2007, the Board approved a modified version of the Corporation's Policy on Internal Disclosure of Wrongdoing, including its internal disclosure procedures, to reflect the requirements of the legislation at the time. A review by the Corporation concluded that the processes and procedures in place provide effective support for the policy. In April 2012, the Treasury Board Secretariat issued a Values and Ethics Code for the Public Sector. We found that the Corporation has reviewed its own code to comply with the new requirements.

Two important strategic plans did not receive timely approval

27. We looked at the terms of reference of Board committees to determine what information the Board of Directors is required to review and approve for the Corporation. We also examined what information is available to the Board to facilitate its oversight of the Corporation.

28. We found cases in which the Board was kept informed about issues of importance to the Corporation; for instance, it received analyses of different scenarios and impact assessments. There was also evidence that directors requested clarification from management.

29. The terms of reference of the Board's Real Estate Committee state that it will seek Board approval of the Corporation's real estate strategic directions. In addition, the Board's Human Resources and Compensation Committee is required to seek Board approval of significant human resources and industrial relations strategies and policies. We found that the Board received, but was not asked to approve, the strategic plan for real estate. The real estate strategic plan was subsequently approved by the Board in November 2012. Further, human resource strategic plans were not presented to the Human Resources and Compensation Committee, and were not approved by the Board.

30. **Recommendation.** The Canadian Broadcasting Corporation should provide the Board of Directors with strategic plans in a timely manner for the Board's approval.

The Corporation's response. *The Canadian Broadcasting Corporation agrees with the recommendation.*

In November 2010, the new five-year Strategic Plan was presented to the Board of Directors for approval. Within the plan, the Corporation highlighted people as being a key success factor. The presentation to the Board included the context for human resource management, challenges faced by the Corporation, initiatives and key people-related actions, as well as expected outcomes. This plan was approved by the Board. In spring 2013, the Corporation intends to submit an updated Human Resources Strategic Plan to the Board for approval.

The Corporation has made improvements to the internal audit function

31. In our 2005 special examination report, we suggested that the Corporation's annual audit plan could be improved by including a clearer description of the nature, scope, and costs of proposed audits. We encouraged the internal audit function to broaden the scope of its audits so that they would include more strategic matters, such as risk management, horizontal issues facing the Corporation, and its technological infrastructure.

32. We found improvements in this area. In the internal audit plans for the 2011–12 and 2012–13 fiscal years, we noted that the plans consider the Corporation's strategic objectives and priorities, business risks (including risks inherent within the Corporation's business processes), and discussions with the Audit Committee and senior management that resulted in a specific request for internal audit assistance. The plans also include detailed information related to the scope of the internal audit projects, and priorities. The scope of internal audits includes more strategic matters, such as the Corporation's technological infrastructure. We looked at a sample of audit projects planned for 2011–12. We noted that they had been completed.

33. In 2005, we also recommended that the Board of Directors review the reporting relationships of the internal audit function to enhance its independence. At that time, we found that the internal audit function reported functionally to the Audit Committee and administratively to the Chief Financial Officer. In 2012, the Corporation approved an Internal Audit Charter that clarifies the roles and responsibilities of the Chief Financial Officer and the Chief Executive Officer in addressing internal audit administrative matters. Through our discussions with the CEO, our review of internal audit documents approved by the Board, and our review of correspondence between internal audit and senior management, we are satisfied that the Corporation has the necessary systems and practices so that internal audit's independence is not impeded.

Strategic planning and risk management

34. Strategic planning is important to ensure that a corporation meets its long-term objectives. It also is important to ensure that the corporation's strategies, objectives, goals, and the way it allocates resources all support achieving the corporate mandate. This type of planning involves assessing and adjusting an organization's direction in response to a changing environment. Risk management is an important element in making strategic decisions that contribute to achieving an organization's overall corporate objectives.

35. We examined whether the Canadian Broadcasting Corporation has clearly defined strategic directions and specific, measurable goals and objectives for achieving its legislative, commercial, and public policy mandate. We also examined whether the Corporation's strategic direction and goals take into account priorities of the government while maintaining an arm's-length relationship with it, and whether CBC/Radio-Canada identifies risks and considers the need to control and protect assets and manage resources economically and efficiently. We considered business plans developed to guide the implementation of the national, regional, and digital strategy included in the Corporation's latest strategic plan, *Everyone, Every way* (the strategic plan), which covers the 2011–12 to 2015–16 fiscal years. We assessed the risk management framework established by the Corporation to identify, track, and mitigate risks, as well as the mechanisms in place for making important decisions.

36. We found that the Corporation has clearly defined its strategic direction, taking into account priorities of the government while maintaining an arm's-length relationship with it. The Corporation also has specific and measurable goals and objectives to achieve its mandate. The planning process considers risk.

The Corporation has clearly defined its strategic direction

37. In 2005, we recommended that, to enhance strategic management, the Corporation's strategies for corporate-wide initiatives should be clearly articulated, communicated, and managed at a corporate level, with clear accountability assigned for achieving expected results. We found that the Corporation has implemented this recommendation.

38. In February 2011, CBC/Radio-Canada launched *Everyone, Every way*. We found that the development of this strategic plan was managed at a corporate level, and was clearly articulated and communicated internally and externally. The Corporation's client needs in terms of expected quantity, quality, and level of services were also taken into account in developing the strategic plan. The vision, guiding principles, and strategic priorities were clearly expressed.

39. In 2005, we also recommended that the Board be involved in a timely way with strategic planning. We found that the Board of Directors was engaged from an early stage throughout the process leading to approval of the strategic plan. In addition, the Board considered the Corporation's legislative, commercial, and public policy mandate when it approved the strategic plan; this included

three strategic priorities that appear in the Corporate Plan for the 2011–12 to 2015–16 fiscal years, submitted to the Minister of Canadian Heritage and Official Languages. To enhance accountability for achieving the results expected under the strategy, senior management presents internal reports to the Board. It has also implemented performance indicators (including in the Corporate Plan), and quarterly reports and an annual report. The Board plays an important role in reviewing progress against the strategic plan.

Strategic planning is continuous and risk-based

40. In 2005, we recommended that the Board ensure the implementation of an organization-wide risk management approach. We found that the Corporation has implemented a corporate risk management approach, ensuring that it regularly reviews risks and performance, measures them against goals, and makes adjustments to its strategic direction as needed. The approach has been in place since 2007, and the Corporation adopted a policy formalizing the approach in early 2012.

41. That the Corporation follows a risk-based management approach is shown by the reports submitted quarterly to the Board's Audit Committee and the Board itself, and by the use of information from the risk management process in corporate decision making. We noted that the Corporation uses information about its corporate risk to make adjustments in strategic direction so that it can achieve expected corporate results. For example, as a consequence of the 2012 Deficit Reduction Action Plan exercise, the Corporation has developed an action plan that takes into account key risks to the Corporation's ability to achieve its strategic objectives.

Performance measurement and reporting

42. Measuring and reporting on performance are important steps in making sound decisions, holding management accountable, and demonstrating the extent to which a corporation has achieved expected results.

43. We examined whether the Canadian Broadcasting Corporation has identified and implemented performance indicators to measure the extent to which it fulfills its mandate and statutory objectives. We also examined whether the Corporation has reports that provide complete, timely, and balanced information to support decision making and accountability reporting. We did this by interviewing senior management and Board members, performing document reviews, and reviewing a sample of key performance indicators.

44. We found that the Corporation has a performance measurement framework, addressing the significant deficiency noted in our 2005 special examination report. It has identified and implemented performance indicators, and its reporting is complete, timely, and balanced. However, people management measures are missing.

A performance measurement system is in place

45. In 2005, we recommended that the Corporation pursue implementing a corporate performance measurement framework and improving its internal and external reporting to better demonstrate to the Board and Parliament that the Corporation is making progress in achieving its objectives, managing its resources efficiently, and managing its key risks. We found the lack of such a framework to be a significant deficiency.

46. In our audit work for this special examination, we found that the Corporation developed a performance measurement framework with the implementation of its new strategic plan. The strategic plan establishes objectives and strategies, and includes key performance indicators and measures of success linked to the main elements of the plan. The framework contains performance indicators and measures for each expected result, and it links resources to results. Qualitative and quantitative indicators also allow the Corporation to capture information on its various activities.

47. We found that the Corporation has defined and specified responsibilities for performance expectations and targets. For example, we noted that the Board of Directors holds the Senior Executive Team accountable for all aspects of performance information. In addition, expectations and targets are in alignment with strategic, corporate, and operational plans. With the implementation of this performance management framework, we are satisfied that the Corporation has implemented the 2005 special examination recommendation and addressed the significant deficiency.

48. The Corporation considers its human resources to be its most important asset. The Corporate Plan clearly emphasizes people and has several people-related objectives. In its previous performance measurement framework, the Corporation had three key performance indicators for human resources. We noted that the new performance measurement framework does not include indicators for people management.

49. Recommendation. The Canadian Broadcasting Corporation should consider incorporating people management measures into its corporate performance measurement framework.

The Corporation's response. The Canadian Broadcasting Corporation agrees with the recommendation.

Our people remain the foundation of our success. We recognize the need to reintroduce more formal people management measures in the corporate framework aligned with the People and Culture Strategic Plan. These measures are intended to be in place for the next fiscal year and will be reported in our Corporate Plan and Annual Report.

Performance reporting is balanced, complete, and timely

50. We looked at the Corporation's annual reporting. Aside from the absence of people management indicators, we found it to be balanced, complete, and timely. For example, we found that the information presented includes both strong and weak performance, as well as significant unintended impacts. The Corporation compares actual reported achievements with planned performance, and gives reasons when there is a gap between planned and actual results. Performance information covers all stated objectives in proportion to their importance, and gives a clear and representative picture of the full range of operational and financial performance in a timely manner.

51. We looked at whether the Corporation compares performance with relevant benchmarks or trends over time. We found that it is too early to see such comparisons because the first reporting under the new framework took place in the 2011–12 fiscal year. We encourage the Corporation to use trend information in future reports so that readers can track progress.

Human resources

52. In the view of the Canadian Broadcasting Corporation, one of the requirements for success is engaging with and developing employees to promote a healthy workplace. Sixty percent of CBC/Radio-Canada's budget goes to employees' salaries. Within the Corporation, People and Culture is the division responsible for human resources. Its employees include human resource professionals and others responsible for launching and managing human resource initiatives. We examined whether the CBC/Radio-Canada manages human resources in a manner that provides it with the human resource capacity and work environment needed to achieve its goals and

objectives. We conducted interviews with CBC/Radio-Canada managers, unions representing employees, and Board members. We also performed document reviews.

53. In the Corporation's human resource systems and practices, we found a number of weaknesses that could lessen the Corporation's ability to attract, recruit, develop, and retain employees. Despite recent steps to address recruitment and staffing issues, competency profiles do not exist for most occupational groups. Succession plans are also lacking for some positions. In addition, the division responsible for human resources has not had consistent leadership in certain areas since 2008, and during those years the Corporation has had several different strategic plans for human resources. Because of this level of change in strategic direction over a relatively short time, the Corporation risks spending more time and energy on planning rather than implementing initiatives and moving forward.

Limited workforce planning is under way

Workforce planning—Planning to ensure that an organization has the right talent in the right place at the right time through the use of appropriate planning tools, recruitment methods, and succession planning.

54. We looked at the **workforce planning** that CBC/Radio-Canada has undertaken to help it determine the mix of experience, knowledge, and skills it requires in its employees, and the steps it needs to take to have staff with those qualifications.

55. We found that the Corporation has undertaken limited workforce planning activities. These include collecting data on the number of full-time equivalents, leaves of absence, and short- and long-term disabilities. In June 2012, the Corporation developed a workforce analysis report intended to contribute to workforce planning. Aside from this report, most of the workforce planning has been reactive, and the Corporation lacks data that would normally be analyzed. For example, there is no comprehensive performance information presented to the Board's Human Resources and Compensation Committee to show and monitor trends.

56. People and Culture produces reports specific to some areas (for example, use and movement of full-time equivalent employees, or use of leave), and has data and information. Nevertheless, we found that analysis and impact assessments are missing. Workforce planning is in the human resources strategic plan, but the Corporation plans little action until the 2013–14 fiscal year. To maximize resource effectiveness and gain efficiencies, it is critical for the Corporation to systematically identify and analyze what sort of workforce it needs.

57. Competency profiles. One important element of workforce planning is preparing competency profiles. We found that a competency profile is in place for the Senior Executive Team, People and Culture, and Legal Services. However, we noted that while several different competency profiles exist for management-level positions in English Services, similar profiles have not been developed for French Services. Inconsistency in competency profiles affects several important aspects of workforce planning, including recruitment, training and development, performance assessment, and staffing. Without a clear definition of the competencies needed to perform a job, the Corporation is hampered in performing key human resource tasks, such as filling positions efficiently with appropriate candidates, providing appropriate training to meet job competency requirements, and evaluating individuals.

58. Professional development. With impending retirements and the emergence of new technologies, employee training and development will become increasingly important for CBC/Radio-Canada. In its corporate strategic plan, the Corporation has committed to enhancing its training and development. We found that the Corporation has a learning and development governance structure and programs in place. It has also maintained its training budget over the last three fiscal years and added a special allocation fund to achieve its corporate strategic plan. However, exit interviews in 2011 indicated that primary reasons for leaving the Corporation were lack of career progression and lack of development of new skills. In our view, competency profiles would help CBC/Radio-Canada to define career paths and identify training or learning opportunities. Career paths would also support and guide staff performance.

59. Recruitment and staffing. We noted that the Corporation's English and French Services each recruit potential employees on an as-needed basis whenever vacancies arise. This decentralized approach has led to developing individualized strategies and competencies for each posting as it becomes vacant. In 2010, French Services piloted a program for centralized recruitment and staffing. Recognizing the benefits, English Services is also planning to adopt a centralized approach.

60. Succession planning. Every organization needs to identify and develop people on staff who have the potential to fill key positions. Succession planning demonstrates an organization's commitment to providing career progression opportunities to its employees. In two of our previous special examinations of the Corporation, we highlighted the importance of succession planning. In 2007, an internal study commissioned by the Corporation stressed the same point.

61. We found that the Corporation has performed limited succession planning. It has put in place formalized succession plans for senior executives and some component managers; it has drawn up key talent lists, which identify certain individuals as potential successors; and it has implemented some tools for English Services.

62. Apart from that, the Corporation has done little to implement succession plans for individuals below the Executive level. In addition, it does not systematically develop and implement succession planning throughout the organization. Unlike English Services, for example, French Services has no succession plans in place.

63. In addition, there is no formalized overview of succession plan information covering all key levels. Lack of an overall view can lead to missed opportunities for identifying human resource gaps that might be filled from elsewhere within the Corporation, or determining where there are employees who require certain types of assignments for their professional development, or deciding where recruitment efforts might need to focus.

64. Recommendation. The Canadian Broadcasting Corporation should develop succession plans and consistent competency profiles across the Corporation for its supervisory or management staff and key talent positions.

The Corporation's response. *The Canadian Broadcasting Corporation agrees with the recommendation.*

The Corporation is committed to an effective competency model that is the foundation of an integrated talent management strategy. A leadership profile that covers all levels of leadership (executive, mid-level, and front-line leaders) will be broadly communicated by summer 2013 to make leadership expectations clear and consistent.

We will continue to deliver the succession process for the Senior Executive Team that is already in place. The leadership profile and supporting tools for this process will be deployed to mid-level management to ensure consistency and alignment across leadership levels. Development plans will be put into place for all succession candidates to the Senior Executive Team and mid-level management by summer 2014.

We are also committed to providing career progression opportunities to our employees as we identify successors and high potential employees throughout the organization. A standardized approach to support development plans for these employees will be in place by winter 2013–14. A project has been launched to review and revitalize our technology in support of numerous

talent management initiatives. This technology solution will better allow us to provide the Senior Executive Team with an overall view of the Corporation's talent pool and provide support through a variety of development initiatives.

A performance management system for some employees is in place, although there is room for improvement

65. An important component of a manager's work involves managing staff to achieve results. We found that CBC/Radio-Canada has an automated performance management system in place for non-unionized employees and members of the Association of Professionals and Supervisors. The system makes it possible to track and monitor performance information, including setting goals for individual employees, assessing those goals, and assigning ratings.

66. The Corporation has also put in place an incentive plan that awards performance pay to executives based on the results as they relate to objectives and associated metrics. However, we found that the people management objectives we reviewed are not specific and lack measures. One of the indicators used to evaluate executives is "people, programming and pushing forward"; the wording leads people management to be assessed together with "programming and pushing forward." The absence of specific, measurable people management objectives makes it challenging for the Corporation to isolate and assess work toward this important objective.

67. Personal accountability for people management contributes to a healthy workplace and a highly motivated workforce. Measuring people management can alert an organization to human resource management issues. The limited information available regarding unsatisfactory people management therefore constitutes a risk to the Corporation.

68. Recommendation. The Canadian Broadcasting Corporation should ensure that all of its managers are evaluated on specific people management objectives, which include clear performance measures.

The Corporation's response. *The Canadian Broadcasting Corporation agrees with the recommendation.*

People are the foundation of our success and remain so despite ongoing financial challenges. For that reason, and to put even more emphasis on the importance of creating a healthy workplace and a highly motivated workforce, the Corporation intends to have in place a requirement for all mid-level managers to have a people management objective included in their

yearly performance plan for the 2013–14 fiscal year. This formalizes practices in place in a number of areas in the Corporation. Data will be gathered on effective completion of the process.

The Corporation lacks consistent management to implement human resource initiatives

69. We looked at whether human resources are managed to provide the Corporation with the human resources capacity it needs to achieve its goals and objectives. We found that People and Culture has not had consistent leadership since 2008 (Exhibit 2).

Exhibit 2 Senior human resource managers at the Corporation have often changed position since 2008

Human Resources area	Position	No. of people in the position since 2008
People and Culture	Vice-president	4
Talent Management and Organizational Development	Executive Director	4
Labour Relations (French Services)	Executive Director	4
Labour Relations (French Services)	Industrial Relations Director	5
English Services	Executive Director	2
French Services	Executive Director	3

Source: Canadian Broadcasting Corporation

70. Frequent movement of senior personnel in People and Culture poses the risk of loss of corporate memory and inconsistency in approaches, including adjustments in strategic plans and attention to performance management. In our view, the lack of consistent management could adversely affect the Corporation's ability to implement and advance its human resource initiatives.

71. Two important components of managing human resources at the corporate level are human resource policies and a strategic plan. We examined the human resource policies developed and used by the Corporation. We noted that the Corporation has comprehensive human resource policies in place. The policies comply with applicable legislation, and have been updated to reflect changes in laws or regulations, and/or in organizational needs.

72. The Corporation also has a human resources strategic plan in place. It developed a new plan in 2011 and monitored it until February 2012. The plan consisted of six priority areas aligned with the Corporation's priorities, as stated in the Corporation's strategic plan. For each priority area, the plan presented a current status assessment, related deliverables, accountability, and progress to date. We noted that most of the expected results for the six priority areas were in the planning phase—for example, setting up working groups, identifying basic needs, and developing strategies. In June 2012, the human resources strategic plan was revised. The latest plan presents four pillars, that is, areas defined as most critical.

73. Since 2008, the Corporation has had four different human resources strategic plans. It is appropriate to update plans in response to changing conditions. However, the lack of stability regarding strategic direction over a relatively short period increases the risk that the organization spends more time and energy on planning instead of implementing initiatives and moving forward.

74. Recommendation. The Canadian Broadcasting Corporation should develop and implement a strategy, in the People and Culture component, to retain its management team so that it can provide continuity and have the capacity to implement long-term strategic human resource objectives.

The Corporation's response. The Canadian Broadcasting Corporation agrees with the recommendation.

After 12 years of consistent leadership in the Human Resources function, the Corporation recognizes that there has been turnover in the function over the past few years. In December 2011, following the departure of the then incumbent Vice-President and a short interim replacement, a new Vice-President joined the Corporation after a thorough and comprehensive search process. A retention strategy for the People and Culture management team will be developed by summer 2013 that focuses on building competencies, increasing business knowledge, better alignment of efforts to have bigger impact, and developing high-potential employees.

Programming

75. As Canada's national broadcaster, Canadian Broadcasting Corporation must provide broad and distinctive Canadian programming of high quality intended to inform, enlighten, and entertain. Two distinct components are responsible for programming activities: English Services and French Services. They deliver a comprehensive range of television, radio, Internet, mobile, and satellite-based services.

76. We examined whether the Corporation has systems and practices in place that provide reasonable assurance that its programs and services are aligned with its mandate requirements and are consistent with its future direction. We conducted interviews with senior management, and performed document reviews. We did not examine program content or program choices made by the Corporation.

77. We found that the Corporation has implemented a process that allows the development of a schedule and programs for all platforms, with appropriate controls in place. These aim to ensure that programs meet the mandate of the Corporation and are consistent with its future direction.

The Corporation has developed a schedule and programs for all platforms

78. We looked at the systems in place for developing schedules and programs for the platforms offered by CBC/Radio-Canada. The program schedules for English and French television include news, documentaries, drama, culture, variety shows, and youth and sports programs. The scheduling process takes into account numerous factors, such as the Corporation's mandate and strategic directions, requirements of the Canadian Radio-television and Telecommunications Commission (CRTC), cost and revenue forecasts, expected audience ratings, existing inventory, and programming offered by other broadcasters.

79. We noted that the Corporation uses criteria to determine whether it should produce television programs in-house or externally. Among the criteria are the source of funding, broadcasting rights, and availability of production resources within the Corporation. CBC/Radio-Canada communicates its needs to independent producers via the Corporation's website and assesses the proposals submitted. The creative staff within each appropriate genre group reviews and vets program concepts, whether these come from the Corporation or independent producers. The Executive Director for either the English or French Services gives approval. The Corporation uses a system to monitor projects under development, prepare the program schedule, adjust programming as needed, document decisions, and produce reports to ensure compliance with the CRTC conditions of licence. We found a similar process for developing the radio schedule and programs for new platforms, such as the Internet.

80. In our 2005 special examination report, we recommended that the Corporation evaluate its management practices for program rights to ensure that the rights were managed optimally. Based on our

examination, we found that the Corporation has made progress in implementing the 2005 recommendation. For example, English Services has created a Business Rights and Content Management group to ensure greater control over the acquisition and use of rights, and French Services recently initiated a project to optimize the management of broadcasting rights.

The Corporation plans and monitors its production resources and program performance

81. We found that the Corporation has mechanisms to plan and monitor the use of production resources. On a quarterly basis, the Corporation monitors changes in its production activities, budgets, and use of production capacity. It also seeks informal views and opinions of its clients on the quality of services provided.

82. We found that the Corporation uses a set of quantitative and qualitative indicators to evaluate the success of its programs. Quantitative indicators include audience ratings, advertising revenues, program costs, and market share for each program. Qualitative indicators include public perceptions of the quality and distinctiveness of programs. Program performance is communicated regularly to each appropriate genre group and senior management. The Corporation also produces performance reports for submission to the Board of Directors. To make decisions and determine whether to maintain or remove programs from the schedule, the Corporation uses performance indicators and the results of other studies and research on industry trends.

Financial management

83. Financial management is an essential part of an organization's control, reporting, and decision-making process. Any organization needs to know what funds are available and allocated to the services it delivers so that it can meet its objectives. Financial management information includes the costs of activities carried out. It supports the allocation of resources and the restructuring of services in response to changing needs and priorities.

84. We examined whether Canadian Broadcasting Corporation has financial planning and budgeting practices in place to inform and support decision making by senior management, as well as processes to develop strategies that would help it generate revenue to achieve its mandate. In examining financial management practices, we conducted interviews with senior management and reviewed documents related to financial planning and budgeting.

85. We found that the Corporation has financial management systems and practices in place to inform and support senior management in its decision-making processes. The systems and practices also collect information for help in allocating resources, managing risks, monitoring budgets and cash requirements, and generating revenue to support achieving the Corporation's mandate and new strategic direction.

Information is available to help with allocating resources and managing financial risks

86. We looked at the financial processes in place to determine whether CBC/Radio-Canada has mechanisms to develop and approve a budget. We found that the Corporation has mechanisms in place to generate information for allocating available resources. When initiating the operating budget process, Corporate Finance develops and sends business plan guidelines to the eight corporate components. The guidelines provide detailed explanations to ensure that budget submissions are complete and milestones are met. We found that the corporate budget is aligned with the strategic plan, structured in a way that allows linkages with sectors of activities, and supported by the business plan of each component.

87. The operating budget process involves extensive consultation, largely through senior committees such as the Senior Executive Team and the Finance Committee, and the finance departments within components. We noted that the corporate budget is included in Senior Executive Team agendas, and is reviewed and approved by the Board of Directors. After the Board approves the corporate budget, Corporate Finance confirms the budget of each component.

88. The Corporation has also established and applied a risk management approach for financial risks. It has developed contingency plans to address potential funding shortfalls.

Budget and cash requirements are regularly monitored and challenged

89. We examined whether the Corporation regularly monitors budget and cash requirements. We found that the Corporation has controls in place to monitor its budget. For example, budget variance reports for each component are prepared and monitored monthly, and a consolidated report is communicated to the Senior Executive Team. The Audit Committee and the Board of Directors receive the reports on a quarterly basis. We also found that the Corporation has systems and practices for managing cash requirements so that it can quickly

address shifting pressures, ensure sufficient liquidity, and support the monthly request to the Department of Canadian Heritage for permission to draw on its parliamentary appropriations.

90. In our 2005 special examination report, we recommended that costing information for programming and related activities be improved, differences in financial practices and results between networks be justified, and the financial analysis related to project proposals be complete and sufficiently challenged. Based on our examination work, we are satisfied that the Corporation has implemented the recommendation.

Processes and strategies are in place to generate revenue

91. We examined whether CBC/Radio-Canada has systems and practices for generating revenue. We found that the Corporation has processes to develop and adjust strategies, with a goal of maximizing revenue generation while complying with its mandate. Three areas within the Corporation have revenue responsibilities: English Services; French Services; and Business Partnerships, which has responsibilities complementary to those of English and French Services.

92. All three areas have developed revenue strategies, which include revenue targets by type, such as advertising, subscriptions, and merchandising. Revenue targets are subject to the same monitoring process as expenditures, and are part of the monthly budgetary management reports submitted to the Board of Directors on a quarterly basis. In addition, we found that the Board of Directors has been engaged in developing the Corporation's revenue strategy as part of the approval process for the corporate strategic plan.

Technology management

93. Management of technology, including information technology (IT), plays an important role in supporting virtually all of an organization's business operations. We examined whether the planning, development, implementation, and management of technology supported the Canadian Broadcasting Corporation's/Radio Canada's strategic and operational objectives, ensured business continuity, and met information needs on a timely basis. We conducted interviews and reviewed documents, including for two IT-enabled projects managed in the 2011–12 fiscal year.

94. We found that CBC/Radio-Canada has IT systems and practices that support its objectives, ensure business continuity, and meet its information needs on a timely basis. We also found that the

Corporation's security policy does not address handling sensitive information.

Information technology planning supports the Corporation's operational and information needs

95. We looked at whether CBC/Radio-Canada has strategic and operational plans for information technology that are aligned with and support the Corporation's operational and information needs. We found that the Corporation has IT strategic and operational planning that supports its information needs.

96. In our 2005 special examination report, we recommended that the Corporation finalize its corporate strategy for technology infrastructure, establish priorities, and communicate its funding needs to relevant parties. The Corporation responded by establishing the Technology Strategy Board in 2009.

97. This body consists of senior management from both IT and media divisions, that is, Information Technology, Media Technology Services, Media Operation and Technology (English Services), and Radio-Canada Productions (French Services). It determines the Corporation's technology priorities and oversees the implementation of technology projects. The Technology Strategy Board is responsible for governance of the Corporation's technology infrastructure. Its Chair reports directly to the Senior Executive Team on the status of projects and technology issues. In addition, the Chair of the Technology Strategy Board participates in Senior Executive Team meetings.

98. In 2010, the Technology Strategy Board developed a five-year technology strategic plan, setting the technology strategic direction for the 2010–11 to 2015–16 fiscal years. Objectives and initiatives of the technology strategic plan align with the Corporation's overall strategic plan. In addition, annual business plans, approved by the Corporation's Board of Directors, present the planned activities and related budgets for achieving the objectives proposed in the five-year Corporate Plan. Other plan elements include annual budgets, a risk assessment and action plan, and a training plan. In our view, the Technology Strategy Board has supported the operational and information needs of the Corporation.

A project management framework is in place and applied consistently for information technology-enabled projects

99. In developing and implementing IT-enabled projects, an organization needs to incorporate a project management framework that provides oversight for its development and implementation. To determine whether the Corporation has such a framework, we reviewed one ongoing and one completed IT-enabled project managed within the 2011–12 fiscal year.

100. We found that the Corporation has standard project development methodology, and applies it consistently. For example, stakeholders approve project business cases, which include elements such as project scope, estimated timelines, projected costs, deliverables, and options analysis. The Corporation establishes clear accountabilities and makes project management decisions on the basis of proper risk management.

Improvements are needed in handling sensitive information

101. We looked at whether CBC/Radio-Canada has a formal security management process in place. We found that although the Corporation has key systems and practices in place, it does not show consistency in the way it handles sensitive information that is normally considered to be classified or protected under federal government policy.

102. In 2006, the Corporation put in place an IT security policy intended to control and protect IT assets and maintain data integrity and confidentiality. In addition, the Corporation adopted supporting guidelines containing principles and best practices for security. However, the policy does not address handling sensitive information normally considered to be classified or protected under federal government policy. For example, we saw evidence of documents containing sensitive personal information that were not classified and were sent by email, as well as information labelled “classified” that was sent by email or kept on non-secure computers. Given the nature of this information, it is important that the Corporation have clear and consistent classification standards and procedures in place, and that employees at all levels within the organization understand the standards and procedures. This effort would include the communication of relevant security threats and employee training on security matters.

103. Recommendation. The Canadian Broadcasting Corporation should update its security policy, and develop information security standards and procedures, as well as awareness training for classifying and handling sensitive information.

The Corporation's response. The Canadian Broadcasting Corporation agrees with the recommendation.

An Information Security and Risk Management Initiative is already under way, which includes information classification and security. CBC/Radio-Canada is in the process of updating its security policy. As part of this initiative, it will develop information security standards and procedures as well as awareness and training strategies. For classifying and handling sensitive information, the Corporation is building upon the information classification system implemented for the Access to Information process and will develop a broader framework in 2013–14.

The Corporation has an operational business continuity process

104. We looked at whether a business continuity process is in place at CBC/Radio-Canada. We found that the Corporation has a disaster recovery plan for critical IT systems. In our view, the prioritization and testing of key IT systems for recovery planning represent good management practices. In early 2011, the Corporation conducted a self-assessment of the state of its business continuity processes; the findings revealed some gaps in the processes. The Corporation is working to develop action plans for corporate IT and media divisions. This work involves activities such as risk evaluation, impact analysis, and awareness programs.

Real estate and space management

105. The Canadian Broadcasting Corporation is responsible for a real estate portfolio of more than 4 million square feet, including 27 buildings owned across Canada. We examined whether the Corporation has demonstrated that it manages, controls, and safeguards its real estate portfolio and facilities in a cost-effective manner that meets its needs. For this purpose, we interviewed senior management and performed document reviews. We also looked at how systems and practices were applied for a sample of recent real estate transactions.

106. We found that the Corporation has systems and practices in place to manage, control, and safeguard its real estate portfolio and facilities cost-effectively.

The Corporation has defined clear roles and responsibilities for managing its real estate portfolio

107. We examined whether roles and responsibilities of those who manage the real estate portfolio are clearly defined, and whether there is coordination between those involved in managing the real estate portfolio. We found that the Corporation has a designated team—Real Estate Services—and that several committees and working groups responsible for managing the real estate portfolio are working in coordination.

The Corporation recently developed a real estate strategic plan

108. We looked at whether a strategic plan is in place to guide real estate management within the Corporation. We found that in 2011, the Corporation developed a real estate strategic plan for the 2011–12 to 2015–16 fiscal years. Its purpose is to support the Corporation’s five-year strategic plan and to guide the work of Real Estate Services. We found that the real estate strategic plan is aligned with the Corporation’s overall strategic plan, and includes objectives, initiatives to be completed, related action plans, and performance indicators.

109. Monitoring and reporting on the progress of the real estate strategic plan are conducted on individual real estate projects, but not in a systematic manner against the objectives of the plan. Because the plan is relatively new, we encourage the Corporation to monitor and report on overall progress of the plan to the Board to ensure that corrective actions are carried out expeditiously.

The Corporation manages projects based on an established methodology and recognized standards

110. We looked at whether projects are managed according to an established methodology, including whether CBC/Radio-Canada has established and applied risk management to the real estate portfolio. Included in our audit work was a review of a sample of project files to test whether the project management methodology was applied, and also to verify consistency across projects.

111. We found that a project management methodology is in place and is being used consistently across the projects sampled. In addition, the Capital Portfolio and Project Management Execution Playbook, finalized in 2012, is intended to define and describe the processes, policies, and procedures that make up the Corporation’s capital project governance structure.

The Corporation has information to manage its real estate portfolio

112. We examined whether the Corporation has information to manage the real estate portfolio cost-effectively. We found that it has several sources to provide it with the necessary information, such as an annual asset prioritizing system and a five-year maintenance plan.

113. In our 2005 special examination report, we recommended that the Corporation continue to re-assess its need for in-house production facilities and ensure that they are used in a cost-effective manner. As part of our current audit work, we looked at the issue from a broader perspective to determine whether the Corporation has systems and practices to manage its space, including to identify excess space. We observed that the Corporation has systems and practices in place to generate information that helps support decision making and space optimization, such as specialized inventory software and a standardized system for calculating and estimating available space.

114. For several years, the Corporation's intention has been to sell buildings, consolidate occupied space, and lease excess space. Since 2002, the Corporation indicates that it has reduced its real estate space by over 800,000 square feet. In April 2012, through the Deficit Reduction Action Plan, the Corporation announced that it planned to reduce its holdings by an additional 800,000 square feet by 2017. In line with these intentions, the Corporation drafted a master plan that includes plans for every building, including plans related to space assessments for some buildings, for a three- to five-year horizon. As a result, in the next few years CBC/Radio-Canada will have real estate space to lease or sell (Exhibit 3).

Exhibit 3 The Corporation is acting to lease out extra real estate space

In June 2012, CBC/Radio-Canada rented out 168,000 square feet of space in the Toronto Broadcast Centre to a private-sector firm; the space had been vacant for a number of years. Still, the Corporation has approximately 250,000 square feet of remaining space available for rent in the Centre, currently zoned for municipal, provincial, or federal government occupation. In October 2011, the CBC filed an application with the City of Toronto for an amendment to the zoning by-law to expand permission for non-CBC uses within the Toronto Broadcast Centre building. The application for an amendment to the zoning by-law included a request for permission for non-CBC uses to be expanded to include offices (non-governmental), a performing arts studio, and a data processing establishment, in addition to the currently permitted government offices and retail and service uses. Toronto City Council approved the zoning amendment application at its meeting on 4 October 2012.

Source: Canadian Broadcasting Corporation, City of Toronto

Environmental management

115. In its environmental policy, the Canadian Broadcasting Corporation states that it is committed to protecting and preserving the environment, and supporting sustainable development. It also recognizes that its responsibilities in the field of environmental management constitute a high corporate priority.

116. We examined the environmental risks associated with the Corporation's activities and operations to determine whether they have been identified and assessed. We also examined whether the Corporation mitigates risks, and monitors and reports on its environmental performance to ensure continuous improvement and compliance with applicable laws, regulations, and other requirements. For our audit, we undertook a detailed examination of ozone-depleting substances (halocarbons) and electronic waste management, as well as other areas of environmental risk for the Corporation. We interviewed the Corporation's senior management and staff, performed document reviews, and conducted a field visit to a transmitter site.

117. In our 2005 special examination report, we recommended that the Corporation better integrate the responsibilities of various players involved in environmental management and move beyond compliance by applying best practices to "green" its operations.

118. We found that the Corporation has created an environmental working group to coordinate activities among key players, such as Real Estate Services and Transmission Division. The Corporation has also directed attention toward reducing its environmental footprint, for example, by obtaining environmental certification for many of its buildings. We found too that it has undertaken various environmental management activities, although some elements of an overall environmental management system are missing.

Some elements of a corporate-wide environmental management system are in place, but other elements are missing

119. We looked at whether the Corporation has established an effective system to support its environmental management activities and the implementation of its environmental policy. We found activity in recent years to establish and document programs, procedures, and guidelines for various issues, such as halocarbon refrigerants and contaminated sites, as well as polychlorinated biphenyls (PCBs), and species-at-risk at transmitter sites. We also noted that the Corporation monitors and tracks its environmental performance in a number of areas, such as electricity, fuel, and water consumption.

120. However, we found that many of the elements that underlie an effective and functioning environmental management system are outdated or absent. For example, a general list of environmental issues facing the Corporation lacks detail and has not been updated or revised in the past five years. As well, the Corporation has not developed a document describing the elements or requirements for environmental management within the organization, covering areas such as planning, priority setting, objectives and targets, and compliance monitoring and other follow-up. In addition, a corporate-wide program does not exist in certain areas, including drinking water safety (although some water testing was performed at broadcasting centres and stations), routine air quality monitoring, or hazardous waste disposal.

121. Moreover, we found that the Corporation has not systematically assessed the level of risk associated with its environmental issues to determine their significance, nor has it ranked issues according to risk. With regard to legal risks, we found that in 2006 the Corporation prepared a list of federal and provincial legislation and regulations, and posted a basic list of federal legislation on its intranet site. However, an outstanding task is to update the 2006 list to include key municipal requirements, and to circulate it so that it is available to all staff with responsibilities for environmental management.

122. Recommendation. The Canadian Broadcasting Corporation should develop and implement an action plan to address gaps identified in its environmental management system.

The Corporation's response. *The Canadian Broadcasting Corporation agrees with the recommendation.*

The Corporation is committed to continuing to evolve as a more environmentally responsible organization. That means putting in place initiatives to become even more sustainable and sensitizing our people to the importance of a healthy environment. We also want to ensure that our environmental program is sound and efficient in its governance and implementation. Effective immediately, overall responsibility for the Corporation's environmental management system belongs to the Vice-President, Real Estate, Legal Services and Legal Counsel. Under this leadership, roles and responsibilities will be more tightly integrated and the environmental program will be more comprehensive and effective in addressing the gaps noted.

The Corporation manages ozone-depleting substances and electronic waste

123. We found that CBC/Radio-Canada has mechanisms in place to manage ozone-depleting substances and electronic waste (e-waste). It operates many types of equipment that use halocarbon refrigerants. We found that the Corporation had a halocarbon management program in place to direct and prevent discharges into the environment, and comply with applicable legal requirements.

124. The Corporation is a technology-driven business and generates a significant amount of electronic waste from used information technology and telecommunications equipment, lighting, and various electrical components. In 2010, the Corporation launched a recycling program to ensure that e-waste is managed in an environmentally responsible and sustainable manner.

The Corporation has begun to sell and decommission its transmitter sites

125. We looked at the systems and practices that the Corporation has in place to manage environmental risks associated with the sale and decommissioning of its transmitter sites. These include hazardous material surveys and participation in the corporate e-waste program when work is being performed to decommission transmission towers, equipment, and other infrastructure. However, there are no protocols that formalize the various practices. The Corporation could improve its management of environmental risks by documenting protocols for its disposal and decommissioning activities.

Conclusion

126. Based on the work performed in the special examination of the systems and practices of the Canadian Broadcasting Corporation, we conclude that there is reasonable assurance that the Corporation has maintained systems and practices to provide it with reasonable assurance that

- its assets are safeguarded and controlled,
- its resources are managed economically and efficiently, and
- its operations are carried out effectively.

About the Special Examination

All of the audit work in this report was conducted in accordance with the standards for assurance engagements set by The Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

Objective

Under section 138 of the *Financial Administration Act*, federal Crown corporations are subject to a special examination once every 10 years. A special examination could be done earlier than the 10-year timeline, as a result of a request by the Office, the Minister, the Board, or the Governor in Council. Special examinations of Crown corporations are a form of performance audit where the scope is set by the Act to include the entire corporation. In special examinations, the Auditor General provides an opinion on the management of the corporation as a whole. The opinion for this special examination is found on page 5 of this report.

Special examinations answer the question: Do the corporation's systems and practices provide reasonable assurance that assets are safeguarded and controlled, resources are managed economically and efficiently, and operations are carried out effectively? A significant deficiency is reported when there is a major weakness in the corporation's key systems and practices that could prevent it from having reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively.

Key systems and practices examined and criteria

At the start of this special examination, we presented the Audit Committee of the Canadian Broadcasting Corporation with an audit plan that identified the systems and practices, and related criteria, that we considered essential to providing the Corporation with reasonable assurance that its assets are safeguarded and controlled, its resources managed economically and efficiently, and its operations carried out effectively. These are the systems and practices and criteria that we used for our special examination.

The criteria were selected for this examination in consultation with the Corporation. They were based on our experience with performance auditing—in particular, with our special examinations of Crown corporations—and on our knowledge of the subject matter. Management reviewed and accepted the suitability of the criteria used in the special examination.

Key system and practice examined	Criteria
Corporate governance	To maximize the Corporation's effectiveness and its ability to balance public policy objectives with its commercial objectives, the Canadian Broadcasting Corporation should have a well-performing corporate governance framework that meets the expectations of best practices in board stewardship, shareholder relations, and communication with the public.
Corporate strategic planning and risk management	The Canadian Broadcasting Corporation has clearly defined strategic directions and specific and measurable goals and objectives to achieve its legislative, commercial, and public policy mandate. Its strategic direction and goals take into account government priorities, identified risks, and the need to control and protect its assets and manage its resources economically and efficiently.
Performance measurement and reporting	The Canadian Broadcasting Corporation has identified and implemented performance indicators to measure the achievement of its mandate and statutory objectives. It also has reports that provide complete, timely, and balanced information for decision making and accountability reporting.
Human resources	Human resources are managed in a manner that provides the Canadian Broadcasting Corporation with the human resource capacity and the work environment it needs to achieve its goals and objectives.
Programming	The Canadian Broadcasting Corporation has systems and practices in place that provide reasonable assurance that its programs and services are aligned with its mandate requirements and are consistent with its future direction.
Financial management	<p>The financial planning and budgeting practices of the Canadian Broadcasting Corporation inform and support senior management in their decision-making processes.</p> <p>The Corporation has a process to develop strategies for generating the necessary efficiencies and revenue to help sustain quality programming and distribution in a manner consistent with its mandate and its new strategic direction, and to help it prepare for adapting to revenue reductions.</p>
Technology management	The planning, development, implementation, and management of technology support the strategic and operational objectives of the Canadian Broadcasting Corporation, ensure business continuity, and satisfy information needs on a timely basis.
Real estate and space management	The Canadian Broadcasting Corporation demonstrates that it manages, controls, and safeguards its real estate portfolio and facilities in a cost-effective manner that meets the needs of the Corporation.
Environmental management	Environmental risks associated with the activities and operations of the Canadian Broadcasting Corporation are identified and assessed. The Corporation mitigates these risks, and monitors and reports on its environmental performance to ensure continuous improvement and compliance with applicable laws, regulations, and other requirements.

Period covered by the special examination

The special examination covered the systems and practices that were in place between October 2011 and June 2012. However, to gain a more complete understanding of the significant systems and practices, we also examined certain matters that preceded the starting date of the special examination.

Internal audit

In carrying out the special examination, we did not rely on any internal audits. This was because the timing of the work performed by internal audit was outside the special examination scope, or else because the level of effort of the internal audit work did not provide the necessary audit assurance for the special examination. However, audits completed by internal audit were used to inform our work.

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Appendix List of recommendations

The following is a list of recommendations found in the Special Examination Report. The number in front of the recommendation indicates the paragraph where it appears in the report. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
Corporate governance	
<p>30. The Canadian Broadcasting Corporation should provide the Board of Directors with strategic plans in a timely manner for the Board's approval. (27–29)</p>	<p>The Corporation's response. The Canadian Broadcasting Corporation agrees with the recommendation.</p> <p>In November 2010, the new five-year Strategic Plan was presented to the Board of Directors for approval. Within the plan, the Corporation highlighted people as being a key success factor. The presentation to the Board included the context for human resource management, challenges faced by the Corporation, initiatives and key people-related actions, as well as expected outcomes. This plan was approved by the Board. In spring 2013, the Corporation intends to submit an updated Human Resources Strategic Plan to the Board for approval.</p>
Performance measurement and reporting	
<p>49. The Canadian Broadcasting Corporation should consider incorporating people management measures into its corporate performance measurement framework. (45–48)</p>	<p>The Corporation's response. The Canadian Broadcasting Corporation agrees with the recommendation.</p> <p>Our people remain the foundation of our success. We recognize the need to reintroduce more formal people management measures in the corporate framework aligned with the People and Culture Strategic Plan. These measures are intended to be in place for the next fiscal year and will be reported in our Corporate Plan and Annual Report.</p>

Recommendation	Response
<p>Human Resources</p> <p>64. The Canadian Broadcasting Corporation should develop succession plans and consistent competency profiles across the Corporation for its supervisory or management staff and key talent positions. (54–63)</p> <p>68. The Canadian Broadcasting Corporation should ensure that all of its managers are evaluated on specific people management objectives, which include clear performance measures. (65–67)</p>	<p>The Corporation’s response. The Canadian Broadcasting Corporation agrees with the recommendation.</p> <p>The Corporation is committed to an effective competency model that is the foundation of an integrated talent management strategy. A leadership profile that covers all levels of leadership (executive, mid-level, and front-line leaders) will be broadly communicated by summer 2013 to make leadership expectations clear and consistent.</p> <p>We will continue to deliver the succession process for the Senior Executive Team that is already in place. The leadership profile and supporting tools for this process will be deployed to mid-level management to ensure consistency and alignment across leadership levels. Development plans will be put into place for all succession candidates to the Senior Executive Team and mid-level management by summer 2014.</p> <p>We are also committed to providing career progression opportunities to our employees as we identify successors and high potential employees throughout the organization. A standardized approach to support development plans for these employees will be in place by winter 2013–14. A project has been launched to review and revitalize our technology in support of numerous talent management initiatives. This technology solution will better allow us to provide the Senior Executive Team with an overall view of the Corporation’s talent pool and provide support through a variety of development initiatives.</p> <p>The Corporation’s response. The Canadian Broadcasting Corporation agrees with the recommendation.</p> <p>People are the foundation of our success and remain so despite ongoing financial challenges. For that reason, and to put even more emphasis on the importance of creating a healthy workplace and a highly motivated workforce, the Corporation intends to have in place a requirement for all mid-level managers to have a people management objective included in their yearly performance plan for the 2013–14 fiscal year. This formalizes practices in place in a number of areas in the Corporation. Data will be gathered on effective completion of the process.</p>

Recommendation	Response
<p>74. The Canadian Broadcasting Corporation should develop and implement a strategy, in the People and Culture component, to retain its management team so that it can provide continuity and have the capacity to implement long-term strategic human resource objectives. (69–73)</p>	<p>The Corporation’s response. The Canadian Broadcasting Corporation agrees with the recommendation.</p> <p>After 12 years of consistent leadership in the Human Resources function, the Corporation recognizes that there has been turnover in the function over the past few years. In December 2011, following the departure of the then incumbent Vice-President and a short interim replacement, a new Vice-President joined the Corporation after a thorough and comprehensive search process. A retention strategy for the People and Culture management team will be developed by summer 2013 that focuses on building competencies, increasing business knowledge, better alignment of efforts to have bigger impact, and developing high-potential employees.</p>
<hr/> <p>Technology Management</p>	
<p>103. The Canadian Broadcasting Corporation should update its security policy, and develop information security standards and procedures, as well as awareness training for classifying and handling sensitive information. (101–102)</p>	<p>The Corporation’s response. The Canadian Broadcasting Corporation agrees with the recommendation.</p> <p>An Information Security and Risk Management Initiative is already under way, which includes information classification and security. CBC/Radio-Canada is in the process of updating its security policy. As part of this initiative, it will develop information security standards and procedures as well as awareness and training strategies. For classifying and handling sensitive information, the Corporation is building upon the information classification system implemented for the Access to Information process and will develop a broader framework in 2013–14.</p>

Recommendation	Response
<p>Environmental Management</p> <p>122. The Canadian Broadcasting Corporation should develop and implement an action plan to address gaps identified in its environmental management system. (119–121)</p>	<p>The Corporation’s response. The Canadian Broadcasting Corporation agrees with the recommendation.</p> <p>The Corporation is committed to continuing to evolve as a more environmentally responsible organization. That means putting in place initiatives to become even more sustainable and sensitizing our people to the importance of a healthy environment. We also want to ensure that our environmental program is sound and efficient in its governance and implementation. Effective immediately, overall responsibility for the Corporation’s environmental management system belongs to the Vice-President, Real Estate, Legal Services and Legal Counsel. Under this leadership, roles and responsibilities will be more tightly integrated and the environmental program will be more comprehensive and effective in addressing the gaps noted.</p>

