The Corporation of the City of Windsor
Succession Planning – Pilot Project

Final Internal Audit Report

29 April 2016

Limitations & Responsibilities

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Contents

Summary of Internal Audit Results

Background Information

The objectives of this review were to assess the design of processes and controls surrounding the implementation of a framework/strategy that: identifies the competency requirements of critical positions; assesses potential candidates; and develops required competencies through planned learning and development initiatives. In addition, internal audit reviewed management's implementation of the succession planning strategy/framework.

The engagement has been performed in accordance with the scope of work per Appendix A.

Succession planning is a strategic approach to ensure that necessary talent and skills will be available when needed and that essential knowledge and abilities will be maintained when employees in critical positions leave the City. A coordinated strategy has been designed to identify and plan for future staffing needs should key personnel knowingly or unexpectedly depart. In order to assess whether a sufficient and appropriate plan is in place, Internal Audit reviewed the process and controls in effect to identify, manage, monitor and mitigate succession planning risks or single points of failure. The benefits of a sound succession planning strategy will only be realized if there is recognition that succession planning and management is a dynamic process which should be continuously monitored.

Since the start of this project and the date of this report, Internal Audit has become aware of several key management positions which experienced changes to personnel, such as the City Engineer, Manager of Operations, Executive Director of Parks, Chief Administrative Officer and Chief Finance Officer. In addition to these, the inherent risks of loss of knowledge, interruption of customer service and risk of critical errors is increased due to retirement of approximately 517 employees in the next 5 years (not including Windsor Police Services or Transit Windsor).

The framework is intended to help the City manage the risk that positions with specific "hard to find" competencies become vacant. The framework also helps manage new/emerging competencies to ensure the right person is in the right place at the right time, such that the likelihood of the City meeting its operational and strategic goals and objectives is increased.

It is understood that a formal plan to effectively manage objectives of succession planning in currently being developed. As of the date of this report, management has implemented "Risk assessment forms" to identify five (5) critical positions and is in the process of implementing a plan for developing the required competencies and skills for these positions.

The City's approach recognizes that succession planning should be approached with a corporation-wide and departmental, perspective. A separate 'Succession Planning Reserve Account' is in place to ensure appropriate funds are set aside to fund the initiative. Also, short, medium and long term retirement forecasting reports are reviewed regularly to identify what positions are eligible to retire and what the competencies and key requirements will be. Retention and training programs are available to equip current employees with the skills and qualifications needed to allow them to move within the organization. The following list provides an overview of some of the proposed or existing tools being considered:

- Individual Development Plans (i.e. Talent Management Program or Career Counselling)
- Capture data from Performance Appraisals
- Online access to all current job postings and physical demands analysis
- Executive Coaching Program

- Surveys
- Competency Tool
- Leadership Development Tool
- Participation in Job Fairs
- Provide retirement data annually

In February 2016, Council approved additional funding to be used towards the talent management pilot program. The remaining steps to be conducted in the implementation plan include:

1. Define key position competencies and create a development plan form, for use of each of the positions;
2. Communicate the program, the positions and invite applicants;
3. Assess applicants and determine eligibility to participate in the program;
4. Recommend and approve participants for the program;
5. Determine development plans for participants of the program; and
6. Initiate the development plans.

The types of activities planned for initiating talent development plans include: targeted learning and training to build skills and knowledge for critical positions, mentoring/coaching, and cross-functional opportunities.

As of the date of this report; management is in the process of developing and assessing candidates using methods that are competency-based to plan for the top five (5) critical positions identified. As part of this continuous process, management plans to:

- Raise awareness of the impact of succession planning and dependencies at an organizational level;

- Ensure sufficient talent available is in the pipeline for roles that require specific competencies and skills or dependency on single individuals in succession plans; and

- Empower current employees with the opportunity to develop the skills and qualifications needed to allow them to move into senior/critical positions.

As of the date of this report, the Human Resources ("HR") department was in the process of scheduling meetings with the incumbents & direct reports to advise them of the five (5) positions selected as part of the pilot program as well as to communicate next steps of the program. This would be followed by HR preparing a draft development plan to outline the relevant competencies for each position.

Following this, Management will begin drafting succession planning procedures and guides. The procedures will then be applied to the broader employee groups and the framework will be fully implemented and functioning by early 2017.

Report Classification

The Committee of Sponsoring Organizations of the Treadway Commission's (COSO) internal control framework consists of five interrelated components derived from the way management runs a business function or process. The following provides a summary of the five (5) components in connection with the City's Succession Planning initiatives.

1. **Control Environment**
   - Leadership and commitment for the succession planning and talent management initiatives are evident with the creation of a "Succession Planning Reserve" account approved by Council and supported by senior management.
   - As part of the journey to implement a well-defined, structured process for succession planning, the Human Resources department spent considerable effort researching various strategies and approaches.
   - Learning and Development Policies have been developed and updated in the last year.

2. **Risk Assessment**
   - Sufficient funding and leadership commitment for planning for critical vacancies.
   - Key positions are evaluated and approved.
   - Risk Assessment Forms are designed and implemented to capture impact and likelihood of a position becoming vacant.
   - There is a defined process for reviewing position Risk Assessment Forms.

3. Control Activities
- Tools for succession planning have been in place for a number of years that have served to manage the risks of losing key talent; for example:
  o Performance Appraisals are used in order to ensure transparency and validate results of Risk Assessment information and to understand an employee's future career objectives in order to align skills and talents with vacant positions; and
  o Employee mentoring and coaching programs.
- For additional information on the control activities, refer to the detailed observations section of the report.

4. Information and Communication
- During the various phases of the implementation plan, there have been multiple points of communication and information sharing. For instance, communication with CLT on program objectives, training and information sessions and various touchpoints with incumbents and direct reports.
- In September 2013, training and information sessions were held with management teams to communicate the relevance of the project, strategy, critical positions, job objectives and critical talent gaps in the future.

5. Monitoring
- A formal mechanism has not yet been developed by Management to monitor the overall performance of the Succession Planning initiatives at the City. It is recommended (refer to finding #4) that management perform benchmarking analysis to understand and evaluate how well the current program is meeting its objectives.
- With respect to the availability of talent, management continues to monitor trends to understand how Human Resources can be prepared for future needs and requirements.
- The planned framework allows for scalability and flexibility, which enables the City to roll out the procedure City-wide and potentially across specific key agencies boards and commissions.
- Competencies are reviewed regularly as part of current hiring and performance appraisal processes.
- Retirement projections for critical positions are prepared and maintained on a regular basis.
- HR also monitors the training completed by the staff to identify potential replacements internally.

Based on the controls identified and tested as part of the Internal Audit of the City's Succession Planning processes and controls, we have determined that there is reasonable evidence to indicate that controls over the process are designed in such a manner that there is:

No or limited scope improvement	No Major Concerns Noted	Cause for Concern	Cause for Considerable Concern
	✔		

Summary of Findings

A summary of the six (6) internal audit findings, corresponding ratings and summary of agreed upon actions by Management are provided in the following table. The "Detailed Observations" section of this report provides additional information about each finding and proposed action plans.

Finding #	Topic	Rating[1]			Management Action
		Significant	Moderate	Low	
Succession Planning Framework/Strategy					
1	Implementation of Succession Planning Strategy	X			Complete Succession Planning Strategy & Pilot Program – Executive Director of Human Resources – 2016 Q4
Implementing Succession Planning Processes					
2	Analysis of Risk Assessment Forms		X		Completion of analysis of risk assessment forms to identify enhancements – Manager of Organizational Development & Health & Safety (A) – 2017 Q1
3	Succession Planning Policies and Procedures		X		Ensure all Succession Planning policies and procedures are posted on the employee Dashboard and reviewed regularly – Manager of Organization Development & Health & Safety (A) and Policy Coordinator – 2017 Q1
Monitoring Outcomes					
4	Monitoring and Continuous Improvement			X	Monthly progress reports for candidates and employee survey with results to CLT – Executive Director of Human Resources – 2016 Q3
5	Identifying Key Competencies and Evaluating Applicants			X	Integrate existing Corporate employee evaluation tools into the candidate application process – Executive Director of Human Resources – 2017 Q1
6	Use of Succession Planning Reserve Fund			X	Perform an analysis of the possible alternative/additional uses of the Succession Planning Reserve Fund – Executive Director of Human Resources – 2017 Q1
Total		**1**	**2**	**3**	

Summary of Significant Findings

A formal plan to effectively manage objectives of succession planning has been developed, however, some of the activities have not been completed in the planned timeframe. A Learning & Development Policy has been developed and approved by Council in March 2015. Given the number of activities pending, the revised completion date is at risk of not being met.

The initiative is behind schedule for several reasons including, but not limited to, training and awareness sessions being held with management groups, development and refinements of the risk survey, delay sending completed risk surveys to HR, etc. It should be recognized that developing a well-defined and systematic process for managing objectives of succession planning requires planning, communication and collaboration with City departments and leadership.

Management Comments

We fully appreciate the intent of this report is to provide viable input and recommendations as the Corporation proceeds with a new program, the Talent Management Program. This program is moving forward as a pilot to test the process design, rollout and end result after which we anticipate refinements will need to continue to be made so as to have a final program that is an appropriate fit for our Corporation and for our employees. As the Talent Management Pilot Program was being developed and vetted with employees, our Consultant, Council and Senior Management, a number of steps were added, deleted, and redistributed while the program was reassessed.

At this point of the Pilot Program, a timeline has recently been finalized and since finalized all past and present objectives have been met and we anticipate completion by the noted date on our plan (this initiative is on schedule).

It should be noted that the Talent Management Program is but only 1 component of the Corporation's Succession Planning Strategy with many other components already in place and functioning appropriately. It should also be noted that during this timeframe, Human Resources is in the midst of an HR/Payroll Process review which includes a reorganization of the Human Resources department. While there are competing priorities for both of these projects, management remains committed to seeing both through to successful completion. The HR/Payroll Process review recognizes the ongoing need for Succession Planning and has been built as a component for the HR redesign.

Name: Vincenza Mihalo
Title: Executive Director of Human Resources
Date: April 27, 2016

Detailed Observations

This section captures the detailed findings resulting from the fieldwork performed and the following is provided:

- Detailed process flow diagram;
- Listing of control points/strengths; and
- Detailed observations including recommendations.

The process activities shown in the flow diagram are further described along with a reference to the detailed observation, if applicable in the table following the flow diagram. In addition to the findings noted below, one (1) consideration for improvement has also been noted on page 19 of the report.

1. Overview of Process Design

The following process flow illustrates the Succession Planning process and activities observed by internal audit during the course of this review:
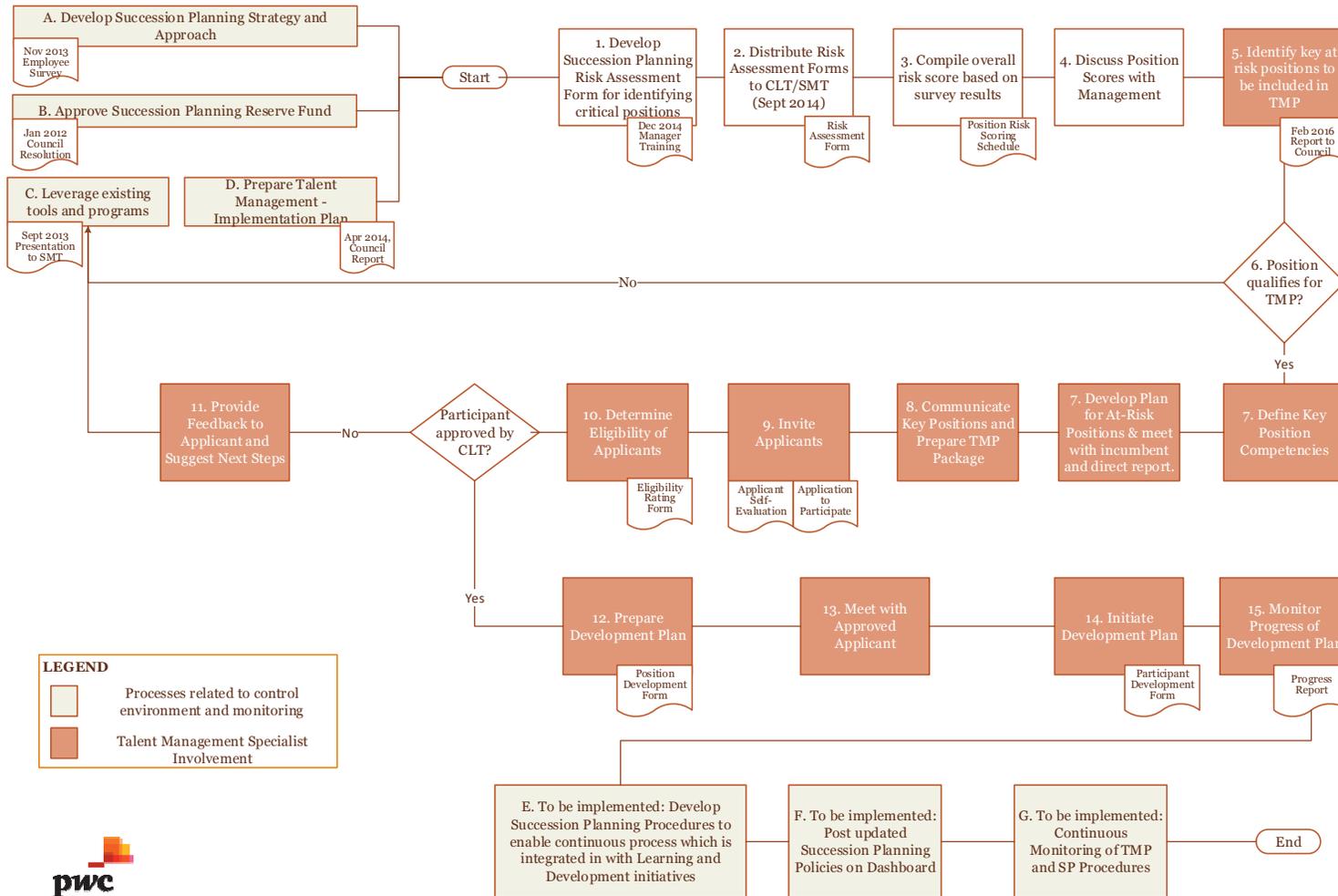
2. Listing of Controls Observed

The table below summarizes the control points in the activity steps illustrated in the above Succession Planning process flow:

Activity	Control Activity	Associated finding #
A	A succession planning strategy and approach is prepared by Human Resources to ensure alignment with the organization's objectives for retaining and attracting talent for key personnel. To ensure that the right people are in the right place at the right time, the strategy and approach to succession planning considered other comparable organizations and municipalities. The overall strategy considered feedback from an employee survey and an endorsement from City leadership and Council.	
B	The Succession Plan Reserve Fund has been created for management to be used toward transitioning roles, skills, competencies and specialized knowledge from a departing employee to the replacement employee. The 'Succession Planning Reserve Account' also ensures appropriate funds are set aside to fund the talent management initiative and to complete the implementation of the succession planning framework and related procedures.	**Finding #6**
C	Training and information sessions to raise awareness of succession planning roles and responsibilities are conducted at least annually to reinforce that succession planning strategies are directed in a consistent manner. The information sessions reinforce the notion that succession planning should be aimed at all employee levels, management and operational level. There are various existing employee training and retention strategies to manage the risk of loss of knowledge/talent.	
D	Council approved the implementation plan for the Talent Managements/Succession Planning initiative and the use of the Succession Planning Reserve Fund.	**Finding #1**
1	The Risk Assessment Form was developed with input from all departments to ensure that the criteria used to rank critical positions is complete and accurate. Human Resources communicates the timelines and instructions for completing surveys provided to CLT/ED and Management Group (as part of the pilot program). The factors to consider when determining probability ranking (i.e. retirement, internal promotion/transfer, external job opportunity, indications in performance appraisal personal development plan, and continual application by incumbent to other positions within the corporation) are clearly identified on the Risk Assessment form**.** Examples of criteria/questions considered when assessing critical positions include: • If this position were left vacant, would it cause major difficulties in achieving current and future departmental objectives? • Is there a labour market shortage for the position that would make this position difficult to fill? • Does the position require that the incumbent have specialized job skills and/or expertise not readily available in the external labour market? • If the position requires specialized expertise, would the position be difficult to fill if the position became vacant? • Is this position key to core business continuity?	**Finding #2**
2	Corporate leadership, senior management and department managers complete a position Risk Assessment Form for each of their subordinates to evaluate the impact and likelihood of a potential vacancy. During the pilot phase, risk assessment forms may also be completed for any other positions that management feels require analysis/consideration.	**Finding #2**

Activity	Control Activity	Associated finding #
3	Results from Risk Assessment Forms are maintained centrally and key positions are ranked after being discussed/validated with CLT and ED's. This process ensures agreement on probability ranking, which requires some judgement.	**Consideration for Improvement #1**
4	To validate survey scores and ensure consistency in evaluation of key roles, Human Resources meets with CLT and ED's to discuss, review and adjust risk survey responses and outcomes. These discussions also contributed to the process of narrowing down the critical positions for the purposes of the pilot program with considerations for additional position factors, including but not limited to: - How long do you think the organization could function adequately in the event this position is left vacant? - How critical will this position be in the next 5 years; how do you see this position evolving? - Is there anything else you would like us to know or consider for the pilot program? (Complex skills; urgency to fill; non complicated skills; etc.)	
5	For the purposes of focusing effort on at-risk positions, human resources submitted the proposal of top 5 critical positions selected for the pilot program to members of City's leadership team for review and approval.	
6	Based on the analysis and review of Position Risk Assessment Forms, management will determine what key positions are vulnerable to being left vacant and qualify for the Talent Management Program. For positions not selected/qualified for the focused talent management program, existing educational programs and succession planning strategies (such as mentoring, coaching, training) are available and communicated to ensure that employees are able to develop their skills and competencies.	
7	For identified positions which qualify for the Talent Management pilot program, HR, in collaboration with the incumbents' direct report, will define core competencies and skills as well as future positional requirements. Source information for this process includes, but is not limited to, job descriptions, market availability and trends, training records, job evaluations/performance appraisals, etc.	
8	HR prepares a memo to City leadership and the direct reports of critical positions to communicate the objectives of the program, support mechanisms available and also review the general outline of the program, indicating the process and eligibility requirements. Position Development Form is prepared outlining the relevant competencies of which the incumbent and direct report are asked to validate and/or update. Meetings also take place between HR and the incumbent and the direct reports.	
9	To be considered for the Talent Management Program, employees prepare an "Application to Participate" form which is reviewed by the employee's direct report before it is submitted to the Staff Development Coordinator with supporting documentation (e.g. resume). Generally, the number of candidates that apply can potentially validate the assessment of the incumbents' position criticality. As part of the application process, the applicant also completes an "Applicant Self-Evaluation" to identify current competencies and professional development opportunities or interests.	**Finding #5**
10	To ensure that sufficient talent is available in the pipeline for roles that require specific competencies and skills or dependency on single individuals, management reviews the eligibility of applicants to participate in the talent management program (currently in a pilot phase). HR prepares the recommendations based on scoring data including rational to support recommendations.	

Activity	Control Activity	Associated finding #
11	Applicants who are not selected to participate in the Talent Management Program have the option of meeting one-on-one with HR to review alternative career development strategies.	
12	Human Resources co-develop position development plans (using the "Position Development Plan" form) for critical roles and empowers employees to develop the skills and qualifications needed to allow them to move into senior or key positions expected to become vacant.	**Finding #5**
13	Applicants approved and not approved to participate are additionally provided with one-on-one, in-person feedback and advice regarding next steps in career and skills development.	
14	Using a combination of formal training, knowledge sharing, on-the-job mentoring and shadowing as well as coaching from HR, a specific development plan is customized to the participant. A "Participant Development Plan" form is prepared or updated monthly by candidates and reviewed by HR (Staff Development Coordinator) to manage the progress of the participant's development.	
15	Monthly, the Human Resources department will meet with applicants to review progress of the development plan and continually monitor the position to ensure that assumptions made for successfully filling a potentially vacant position continue to be valid (e.g. likelihood of a vacancy, eligibility and interest level of applicants). A monthly report is provided to HR and adjustments to the development plan are considered.	
E	To be implemented: Succession Planning Procedure will be completed and finalized by end of 2016. Finding #3 relates to some considerations and reminders for documenting and implementing procedures.	**Finding #3**
F	To be implemented: The City has set up a page on the internal dashboard to communicate and share relevant information about the succession planning and talent management program. As required, updates to the procedures are communicated to employees through the City Circuit newsletter to ensure that changes to processes are shared with or known by employees.	
G	To be implemented: A formal mechanism has not yet been developed by Management to monitor the overall performance of the Succession Planning strategy and approach at the City.	**Finding # 4**

3. Observations and Recommendations

Finding	Rating[1]	Recommendation & Action Plan
1. Implementation of Succession Planning Strategy		
Observation A formal plan to effectively manage objectives of succession planning has been developed, however as of the date of this report, it was noted that some of the activities have not been completed or not completed in the planned timeframe. Additional steps were added to the pilot program beyond the original steps (scope change) to ensure a thorough approach. The current implementation plan for the talent management program considers evaluating positions of Senior Management (CLT/ED), middle management and their direct reports. The key positions identified from this evaluation process will be considered for the pilot program. It is expected that the process will extend to all remaining employee levels/groups (i.e. front line) once the processes and lessons learned from the pilot program are applied. It should be noted that as a compensating measure, management participating in the evaluation of positions have the option to submit additional surveys for any other positions that they feel require analysis/consideration.	**Overall** Significant **Impact** High **Likelihood** Likely	**Recommendation** As of the date of this report, management has prepared an updated implementation plan which anticipates the completion of the pilot program by the end of 2016. Management should ensure that there is sufficient level of commitment and resources available to complete the project in the amended time frame. Management should monitor the progress of the project and the talent management specialist on a monthly basis and formally document project related issues or delays.
Implication Incomplete or untimely assessment of critical positions. Insufficient funding to complete the project. The succession planning strategy is not implemented in a timely manner.		**Management Action Plan** Given that the above recommendation forms part of our current timeline, Management agrees with the recommendation and monthly reviews, not only with the Talent Management consultant, but also monthly reviews as to the progress of the employees within the program which have been included within our timelines. It should be noted that while individualized development plans are initiated, finalized and implemented by Q4 of 2016, it is anticipated that employees will remain within their development plan for a year after initialization and possibly longer dependent on the position, the interested employee's background and when the position will be vacant. During the implementation of the Talent Management Program, Human Resources is embarking upon an HR/Payroll process

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[1] See Appendix B for basis of Findings Rating and Report Classification

Root Cause Coverage of position risk assessment processes have been focused on critical/key positions. Several reasons contribute to the delayed implementation including, but not limited to, training and awareness sessions being held with management group, development and refinements of the risk assessment process, delay in sending completed risk forms to HR and additional funds sought for talent management consultant.		review as well. This process review may move the responsibilities for this program to another area with commitments made to the HR/Payroll process review. However, we are committed to the successful completion and commitment to both the process review and this program. **Responsibility** Executive Director of Human Resources **Due Date** Q 4, 2016 and ongoing

Finding	Rating	Recommendation & Action Plan
2. Analysis of Risk Assessment Forms		
Observation Continued from observation #1: The Risk Assessment Form to identify critical positions has been developed, however, management has not done a complete assessment of positions across the City. Data collection and analysis for the key positions identified by management groups was completed in early 2015. As part of reviewing the process of compiling the information received, it was noted management may decide to override/adjust the ratings based on discussions with HR and past experience. However, the process for tracking the adjustments is not formalized. Management should consider tracking these adjustments in an adjustments column to ensure that there is documented record of the change to ensure that future changes are made in a consistent manner. Subsequent to the review, HR documented the rationale for adjustments. Assessing the reasons for the adjustments may assist management in making further refinements to Risk Surveys and or specific questions. Training, support and detailed instructions were provided to those that completed risk assessment forms. However, reports detailing past history of turnover in positions and retirement eligibility were only provided if requested by participants. **Implication** Risk assessment forms are not completed or rational for evaluating positions as high risk are not known leading to inconsistent or unsupported decisions. **Root Cause** The process for evaluating positions and identifying critical/key positions is evolving and lessons learned from the pilot program have not yet been considered or applied.	**Overall** Moderate **Impact** Medium **Likelihood** Likely	**Recommendation** As a reminder to management as processes evolve and a database of position risk assessment information is gathered, the following recommendations should be considered: - Continue to monitor current and future at risk competencies (for instance emerging skills as result of changes to legislation, technology or availability of talent); - A database of critical (at risk) skills and competencies should be maintained; - Continue to communicate with management trends and patterns and risks of losing critical skills and the drivers (retirement, turnover, change in operations etc.) in order to proactively anticipate future needs and uses of the talent management program; - Given the volume of data collected from Risk Assessment Forms to date, the process for making adjustments to risk scores should be formalized before rolling out the program to remaining employee groups; and - Consider equipping those responsible for completing the Risk Assessment Forms with relevant information such as, past survey results, retirement eligibility, turnover statistics, knowledge gap examples and average historical time to fill similar positions. Once the pilot program is completed and the City is prepared to roll out the succession planning policies and procedures, a central database of risk assessment survey results should be maintained and monitored regularly (refer to finding #4 monitoring and consideration for improvement #1). **Management Action Plan** As this is the beginning of a pilot program, Management agrees that as we proceed further the recommendations brought forth will need to be explored, researched, vetted with the parties and implemented. Management agrees that not all positions were assessed as this was a pilot program and before rolling this out for all corporate positions we needed to ensure we had a program and process in place that was sustainable. As the pilot program continues we can take a more informed approach based on initial experiences.

		It should also be noted that much of the statistical information referenced in the observation has been provided to management for a number of years on an annual basis and we don't wait for Management to request the information, i.e. retirement information is distributed annually. As we receive survey results moving forward, we agree it is a good idea to provide to those that need the information to fill out the risk assessment forms. **Responsibility** Manager of Organizational Development and Health & Safety (Acting) **Due Date** Q1, 2017 and ongoing

Finding	Rating	Recommendation & Action Plan
3. Succession Planning Policies and Procedures		
Observation Continued from observation #1, the Organizational Development Policy and associated procedures including the Succession Planning Procedure are planned to be completed and finalized by end of 2016. The Learning and Organizational Development Policy (which includes succession planning) was approved by Council on March 23, 2015. While obtaining an understanding of the draft processes, it was noted that a review cycle for periodically updating the Risk Assessment Form has not been defined. It was also noted that the City plans to update forms and templates as part of another project which is underway, namely, the HR/Payroll Process review project.	**Overall** Moderate **Impact** Medium	**Recommendation** Management should consider the following when developing and communicating related policies and procedures: - Forms and procedures should be made available for employees on the dashboard; - Establish a review cycle for periodically reviewing and updating the Risk Assessment Form and design of the position development processes; - Documents related to the talent management program should be retained for future reference; - Policy and procedure regarding the notification by participants to HR if/when there are potential issues with the development plan or risks to completing the program as well as steps HR will take to resolve such issues; - Transitioning responsibility for overseeing the talent management processes from the external consultant to human resources; - Develop letters/templates for communicating with participants of talent management program going forward as part of the HR/Payroll Process review; and - Approval from City leadership should be retained for each critical position and eligible applicants selected to participate in the talent development program.
Implication Succession planning procedures are not implemented or updated in a timely manner. **Root Cause** Management continues to document the processes as they evolve.	**Likelihood** Likely	**Management Action Plan** Management agrees with the action plan as they are concurrent with our current corporate processes (policies/procedures/forms are placed on dashboard when finalized); current policies and procedures have an initial 1 year review date and 5 year thereafter; information is maintained in line with our retention bylaw. We will include in the procedure the notification process and the communication process. **Responsibility** Policy and Procedures Coordinator as it relates to Policies/Procedures/Forms and updates across the board Manager of Organizational Development and Occupational Health & Safety as it relates to specific items to this program **Due Date** Q1, 2017 and ongoing for both

Finding	Rating	Recommendation & Action Plan
4. Monitoring & Continuous Improvement		
Observation A process for periodically monitoring changes to positions or competencies which have an impact on previously documented risk ratings has not yet been defined/considered. For instance, updating the scoring of critical/key positions as new information becomes available (i.e. actual vacancy). Furthermore, as of the date of this report a formal process for continuously monitoring the processes and procedures against objectives or desired outcomes has not been implemented. While this is not unusual at this stage in a project, this could become a growing issue later on.	**Overall** Low	**Recommendation** To ensure that the City's succession planning efforts are successful, it is important to systematically monitor workforce data, evaluate activities and progress on the developing competencies for critical positions in order to make necessary continuous improvements. The listing of critical positions should be updated and communicated to CLT/ED periodically in order to prompt appropriate discussion and review activities. The process may take into consideration actual placements throughout the year which significantly change the risk profile for that position. Through monthly progress reporting and monitoring, management should ensure that candidates involved in the succession planning pilot program continue to be engaged and committed. Candidates should also be asked to provide feedback on the overall process. Based on the pilot program and periodically thereafter, management should formally evaluate the success of the program and related processes, for the purposes of continuous improvement.
Implication Changes in competencies, critical positions and candidates to fill these positions are not monitored for alignment to strategies and approaches to manage succession planning.	**Impact** Medium	
		Consideration should be given to available benchmarking and comparator information when performing the periodic monitoring and review processes. For instance, management may want to consider implementing a periodic review actual vacancy results against the risk assessment forms. Finally, management should consider conducting an employee survey at the end of the pilot program to identify continuous improvement opportunities.
Root Cause The process for monitoring and reviewing strategies for managing succession planning objectives and risks has not yet evolved.	**Likelihood** Unlikely	**Management Action Plan** Management agrees with the recommendation to provide monthly progress reports by the candidates and for the candidates, this process has already been included within our timeline and framework. It is agreed that an employee survey for the participants be included at the end of the program as well as continuing to keep the CAO/CLT informed as to the program changes, inclusive of the noted communication items noted in the recommendations. **Responsibility** Executive Director of Human Resources **Due Date** Q3, 2016 and ongoing

Finding	Rating	Recommendation & Action Plan
5. Identifying key competencies and evaluating applicants		
Observation With the help of a Talent Management Specialist, templates to capture competencies and identify strategies to mitigate risk against loss of knowledge associated with the critical positions have been developed. Based on a review of the DRAFT forms and templates, internal audit noted the following: • The current "Application to Participate" form does not have a place for the supervisor to sign as evidence of approval; • The Eligibility Rating form has a four point rating scale for evaluating each skill or competency requirement, and each skill/competency is weighted to determine an overall score. However, the process/criteria for determining the weighting and the required proficiency level of each skill or competency is not formally defined; and • There doesn't appear to be a direct relationship from the Eligibility Rating/Score to the Participant Development Plan activities in order to prioritize and focus effort or degree of coverage in a particular skill/competency area; **Implication** Execution of employee training and retention strategies are not aligned to urgency or priorities. **Root Cause** Management continues to improve the forms and templates to facilitate a structured yet simplistic approach.	**Overall** Low **Impact** Low **Likelihood** Likely	**Recommendation** Management should consider the following when developing and updating related forms and templates on a continuous basis: - Continue to validate skills and experience of applicants by reviewing employee training/experience records; - Update the "Application to Participate" form to require a documented signature from the applicant's supervisor; - Past performance appraisals should be incorporated into the approval process by manager (i.e. indication of whether candidate wishes to remain in current position, transfer, accept more responsibility, retire or work on special assignments); - Participant Development Plan form should include relevant information about the level of urgency of each development activity/strategy (to enable HR to prioritize development activities for positions which are expected to be vacant in the near term); and - The weighting of a particular skill or competency should be associated with criteria or required proficiency. For instance, a weighting of 10 points might be associated with a skill that requires a higher level of proficiency, where as a weighting of 5 points may be associated with a skill with a lower level of proficiency needed/expected. **Management Action Plan** Management agrees with the recommendations that as the pilot program progresses and the forms are utilized by staff, the above noted suggestions will be included as well as others as they arise. **Responsibility** Executive Director of Human Resources **Due Date** Q1, 2017

Finding	Rating	Recommendation & Action Plan
6. Use of Succession Planning Reserve Fund		
Observation The Succession Plan Reserve Fund has been created for management (appropriate approval process applies) to be used toward transitioning roles, skills, competencies and specialized knowledge from a departing employee to the replacement employee. To date, the reserve fund has only been used on a few occasions. In April 2014 and February 2016, Council authorized the use of the Succession Planning Reserve Fund to develop internal candidates to be considered for key positions that are at risk of being vacated (due to eligible retirement, transfers, departures) or are considered difficult to fill (due to technical expertise or labour shortage). Additionally, the expectation is that the implementation of the succession planning program would enable the City to anticipate and/or identify needs in terms of skills/competencies/training etc. and are able to avoid situations where the reserve funds is needed in a transition of a known vacancy. As such, there may be an opportunity to seek direction to use the succession planning reserve fund for other reasons related to talent management and succession planning. **Implication** Risk of insufficient funding to support succession planning objectives. **Root Cause** Funding has not been a concern to date given there are additional sources to reduce strain on Succession Planning Reserve, such as the Educational Assistance budget (separate account).	**Overall** Low **Impact** Medium **Likelihood** Unlikely	**Recommendation** Continued from observation 1: Management may want to allocate additional funds (for the 2017 budget) to expedite the succession planning and talent management programs currently underway. Management may want to consider seeking the direction of leadership and Council to use the current Succession Planning reserve fund for the roll out of the Talent Management Program and allocate the funding towards hiring a temporary resource or to help participants in the pilot program reach their development plan goals sooner. For example, if a participant of the talent development program would like to take a study/educational leave or a temporary position needs to be filled to enable participants to fast track the position development plan. **Management Action Plan** Management agrees with the finding and the recommendation and commits to performing an analysis of the possible alternative/additional uses of the Succession Planning Reserve Fund and/or the Educational Assistance Program. **Responsibility** Executive Director of Human Resources **Due Date** Q1, 2017

Considerations for Improvement

The observations noted below are intended for Management's consideration to further improve or strengthen current controls or processes. These considerations were identified as opportunities to improve areas where the level of risk associated with achieving the control objective is lowered by controls already operating effectively.

1 - Position Risk Assessment Database
It was noted that the Risk Survey process was a relatively manual process in terms of distributing, collecting and compiling the information. Succession Planning is a continuous process for objectively assessing key positions and developing talent and an important component to the success of the program is ensuring strategies and decisions are supported by accurate and complete information.
Management may want to consider using an online survey system for the future to efficiently handle the volume of information and reduce the risk of manual input errors. Management should maintain a database of positions and risk ratings/scores as well as critical competencies/skills which are identified through the Risk Assessment Form. It was noted that the City is currently performing an HR/Payroll Process review project with a focus on technology.

Appendix A: Background & Scope

Linkage to the internal audit plan

As part of the Council approved 2014/15 Internal Audit Plan, Internal Audit reviewed processes surrounding succession planning and management at The Corporation of the City of Windsor (the "City") and the associated processes and controls to ensure that City policies are implemented.

The objective of this internal audit was to assess the design effectiveness of the internal controls in place within the succession planning and management process at the City enterprise and departmental level.

As part of the internal audit plan development, this business process area has processes and controls associated with mitigating and managing the following corporate risks: Succession Planning/Capacity, Service Delivery, Program Delivery, Governance, Structure/Culture and Human Resources.

Background

Given the aging workforce employed at The City and the significant number of individuals holding key positions that are eligible for retirement – developing, monitoring and implementing a human resources plan is critical. Recruiting, training and retaining resources and identifying gaps in future staffing needs in the short, mid and long term is imperative.

The objective of succession planning is to ensure that the right people with the right skills are positioned at the right time. The City considers succession planning to be a proactive activity, which seeks to avoid three (3) major issues:

1. Loss of knowledge
2. Interruption of customer service and/or business continuity
3. Critical errors

Generally, our scope covered up to the most recent completed year (i.e. January 1, 2013 to December 31, 2013) or the most recent 12 month period. However, many key controls were implemented by the City in 2014 or 2015 as part of the Talent Management Program and therefore our review will cover periods where the new controls were effective.

Specific Scope Limitation

Consistent with commonly accepted practices, our work was dependent on the following management activities which are excluded from the scope of this review:

- The operating effectiveness of controls (how well controls are functioning) will not be included as part of this review.
- The effective design, implementation and operation of the Information and Technology (IT) environment and IT general controls.
- The effective design, implementation and operation of business system and application controls related to the capture, processing, storage, reporting/presentation and exporting of information and data.
- Controls over the completeness, accuracy, reliability and validity of the evidence, information and data provided by management during the course of this review.

Approach

In May 2014, a contract with Game Change Coaching & Consulting was authorized to develop and implement a Talent Management Program (Career Counselling) as a strategy for building on existing succession planning strategies.

The focus of the review was to optimize the design of the to-be processes and validate whether the to-be processes adequately address the risks/control objectives.

Succession Planning Control Design Assessment

We reviewed existing and planned internal controls for the scope of the processes to ensure they are sufficiently designed and implemented to reasonably address the business risks.

The design assessment phase conducted by Internal Audit helps to determine the following:

- If the controls are effectively designed to address the associated risks; and

- If there is reasonable evidence to indicate that the control has been implemented as designed.

In order to ensure that a control is designed effectively, Internal Audit relied upon discussions with management and examination of document and records. The results of this approach are a documented set of key controls which have been validated by management; controls which management can rely on to manage the following in-scope control objectives.

Review Area	Control objectives
1. Succession Planning Strategy/Framework	1.1. To implement a framework that identifies the competency requirements of critical positions, assesses potential candidates and develops required competencies through planned learning and development initiatives.
2. Implementing Succession Planning Initiatives	2.1. To identify and proactively plan for critical work force positions, by developing a pool of potential successors and encouraging a culture that supports knowledge transfer and employee development. 2.2. To build human resource programs that attract and retain qualified individuals to and within the organization.
3. Monitoring Outcomes of Succession Planning	3.1. Procedures and policies related to talent management and succession planning are continuously monitored and updated to align with objectives.

Appendix B: Basis of Finding Rating and Report Classification

Findings Rating Matrix

Audit Findings Rating		Impact		
		Low	**Medium**	**High**
Likelihood	**Highly Likely**	Moderate	Significant	Significant
	Likely	Low	Moderate	Significant
	Unlikely	Low	Low	Moderate

Likelihood Consideration

Rating	Description
Highly Likely	• History of regular occurrence of the event. • The event is expected to occur in most circumstances.
Likely	• History of occasional occurrence of the event. • The event could occur at some time.
Unlikely	• History of no or seldom occurrence of the event. • The event may occur only in exceptional circumstances.

Impact Consideration

Rating	Basis	Description
HIGH	Dollar Value[2]	Financial impact likely to exceed $250,000 in terms of direct loss or opportunity cost.

	Judgemental Assessment	**Internal Control**
		Significant control weaknesses, which would lead to financial or fraud loss.
		
		An issue that requires a significant amount of senior management/Board effort to manage such as:
		• Failure to meet key strategic objectives/major impact on strategy and objectives.
		• Loss of ability to sustain ongoing operations:
		  - Loss of key competitive advantage / opportunity
		  - Loss of supply of key process inputs
		• A major reputational sensitivity e.g., Market share, earnings per share, credibility with stakeholders and brand name/reputation building.
		
		Legal / Regulatory
		Large scale action, major breach of legislation with very significant financial or reputational consequences.

MEDIUM	Dollar Value	Financial impact likely to be between $75,000 to $250,000 in terms of direct loss or opportunity cost.
	Judgemental Assessment	**Internal Control** Control weaknesses, which could result in potential loss resulting from inefficiencies, wastage and cumbersome workflow procedures. **An issue that requires some amount of senior management/Board effort to manage such as**: • No material or moderate impact on strategy and objectives. • Disruption to normal operation with a limited effect on achievement of corporate strategy and objectives. • Moderate reputational sensitivity. **Legal / Regulatory** Regulatory breach with material financial consequences including fines.
LOW	Dollar Value	Financial impact likely to be less than $75,000 in terms of direct loss or opportunity cost.
	Judgemental Assessment	**Internal Control** Control weaknesses, which could result in potential insignificant loss resulting from workflow and operational inefficiencies. **An issue that requires no or minimal amount of senior management/Board effort to manage such as:** • Minimal impact on strategy. • Disruption to normal operations with no effect on achievement of corporate strategy and objectives. • Minimal reputational sensitivity. **Legal / Regulatory** Regulatory breach with minimal consequences.

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[2] Dollar value amounts are agreed with the client prior to execution of fieldwork.

Audit Report Classification

Report Classification	The internal audit identified one or more of the following:
Cause for considerable concern	• Significant control design improvements identified to ensure that risk of material loss is minimized and functional objectives are met. • An unacceptable number of controls (including a selection of both significant and minor) identified as not operating for which sufficient mitigating back-up controls could not be identified. • Material losses have occurred as a result of control environment deficiencies. • Instances of fraud or significant contravention of corporate policy detected. • No action taken on previous significant audit findings to resolve the item on a timely basis.
Cause for concern	• Control design improvements identified to ensure that risk of material loss is minimized and functional objectives are met. • A number of significant controls identified as not operating for which sufficient mitigating back-up controls could not be identified. • Losses have occurred as a result of control environment deficiencies. • Little action taken on previous significant audit findings to resolve the item on a timely basis.
No major concerns noted	• Control design improvements identified, however, the risk of loss is immaterial. • Isolated or "one-off" significant controls identified as not operating for which sufficient mitigating back-up controls could not be identified. • Numerous instances of minor controls not operating for which sufficient mitigating back-up controls could not be identified. • Some previous significant audit action items have not been resolved on a timely basis.
No or limited scope for improvement	• No control design improvements identified. • Only minor instances of controls identified as not operating which have mitigating back-up controls, or the risk of loss is immaterial. • All previous significant audit action items have been closed.