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### **Review of values and ethics management framework: internal audit, NRC, June 2009**

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<http://doi.org/10.4224/21275258>

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# ***Review of Values and Ethics Management Framework***

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Internal Audit, NRC  
**June 2009**



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## 1.0 Executive Summary

### Background

This report presents the findings of the National Research Council (NRC) of Canada's review of the management control framework for values and ethics. The decision to conduct this review was approved by the President following the recommendation of the Audit, Evaluation and Risk Management Committee of Council on June 27, 2007 as part of the NRC 2007-08 to 2009-10 Risk-Based Internal Audit Plan. Expenditures for promoting values and ethics in NRC are not easily attributed and therefore not available.

The federal government places great importance on values and ethics. Specifically, this area is included in the Management Accountability Framework (MAF), and is reflected in the Treasury Board's internal audit policies. As part of these policies, Treasury Board issued a directive on Audit Committees which stated that they are to review, at least annually, what management has done to "promote public service values and to ensure compliance with laws, regulations, policies and standards of ethical conduct."<sup>1</sup>

This recent emphasis on values and ethics within the federal government makes a review of NRC's activities to promote ethical behaviour appropriate.

### Review objectives, scope and methodology

The broad objective of the review was to examine NRC's values and ethics management framework for conformance with the Office of the Comptroller General's (OCG) Core Management Controls for fostering public service values,

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<sup>1</sup> After the review was completed, the Directive on Audit Committees was changed and the section on Values and Ethics revised as follows: "...the deputy head is responsible for ensuring that each of the following key areas is reviewed with an appropriate risk-guided focus and cycle: Values and Ethics...". This had no impact on the findings of this report.

issued in 2007. The work carried out represents a review and did not extend to gathering sufficient and appropriate evidence to provide the high level of assurance required of an audit assurance engagement. As such, it was not intended that an audit opinion and statement of assurance be issued. The review looked at NRC's policies and practices relating to values and ethics and included interviewing program managers and staff, examining key documents, identification of some potential high risk areas through interviews and document review and sampling case files on a limited judgemental basis to determine the extent to which they conform to the OCG's Core Management Controls and NRC policies relating to values and ethics.

### **Observations and Recommendations**

The review's observations indicate that overall, NRC's values and ethics framework reflects the Office of the Comptroller General's Core Management Controls for fostering public service values. Key components of this framework include:

- The development and sustained communication of NRC's five core values that are firmly based on the four Public Service values but which have been adapted to NRC's mandate and operations, emphasizing, for example, "Service to Stakeholders";
- A documented Code of Conduct and mechanisms for employees to anonymously report wrongdoing as well as a well-articulated Conflict of Interest Policy;
- The use of the Intranet and the external NRC Web site to provide information on values and ethics policies and practices to employees and other audiences outside of NRC;

- An employee orientation information package that includes material on values and ethics as well as training that has commenced for all managers pertaining to the *Public Servants Disclosure Protection Act (PSDPA)*; and
- Evidence that management takes action when warranted.

However, opportunities for improvement have been discussed with management and include:

- Coordinating all of NRC's values and ethics policies at the corporate level to ensure that NRC's Values and Ethics Management Framework is applied consistently across the organization;
- Updating and widely communicating NRC's Code of Conduct for its employees;
- Establishing a comprehensive reporting protocol that enables senior management and the Audit Committee to both review NRC's arrangements for exemplifying and promoting public service values, and ensure compliance with laws, regulations, policies and standards of ethical conduct;
- Evaluating the effectiveness of employee communications channels and other related values and ethics policies and procedures;
- Ensuring that all employees have signed a Conflict of Interest declaration when they are hired consistent with NRC's policy requirements; and
- Reviewing the current organizational arrangements of the Secretary General's Office for ensuring that it has the independence necessary for impartial oversight.

**Recommendations:**

1. NRC's policy suite for values and ethics should be coordinated at the corporate level to demonstrate the "tone from the top", and applied across the entire organization. While it is recognized that various operational areas may be better suited to draft and implement certain policies and procedures, a coordination of all policies on a corporate basis is recommended to ensure consistency.

***NRC Management Response:***

*Agreed. The NRC Secretary General's Office (NRC-SGO) has been working toward the vision of a fully coordinated and integrated framework for NRC values and ethics, beginning with the implementation of a planned process of the renewal and integration of policies within its area of responsibility (Conflict of Interest Policy 2007), NRC Policy on Research involving Human Subjects and NRC Process on the Public Servants Disclosure Protection Act (2008), and the NRC Research Integrity Policy (planned for Fall 2009). NRC-SGO will consult with corporate branches and other NRC stakeholders to expand this initiative while recognizing, as noted, that various other operational centers are better suited to lead in specific areas. This will be completed by December 2009.*

2. In accordance with the *Public Servants Disclosure Protection Act*, NRC must develop and communicate an updated Code of Conduct for its employees once the Treasury Board of Canada has released its revised Public Service Code of Conduct. All Institute, Branch or Program specific Codes of Conduct should be subsequently reviewed to ensure their consistency with the overriding Code of Conduct for all NRC employees.

***NRC Management Response:***

*Agreed. NRC-SGO will act as the NRC contact point for consultations with central agencies on the development of the new Public Service Code of Conduct and will work with the NRC Human Resources Branch and other NRC interests to adapt the associated model organizational Code to a new NRC Code of Conduct. Given projected timelines for the Public Service Code, however, it is expected this will not be done until April 2011.*

3. The Secretary General's Office should evaluate the effectiveness of NRC's communications channels that employees use to report possible wrongdoing and other aspects of values and ethics related policies and procedures.

***NRC Management Response:***

*Agreed. To this end, the NRC-SGO internal website will be renewed this year to complement more information sessions on values and ethics as well as new contributions to training and development programs for NRC managers and staff. This will be completed by April 2010.*

4. The Secretary General's Office should develop and track values and ethics related metrics and their outcomes and coordinate those emanating from other areas within NRC (for example, Human Resources Branch and Finance Branch). These metrics and other related values and ethics information should be reported to Senior Management and the Audit Committee at least annually.

***NRC Management Response:***

*Agreed. NRC-SGO will present by June 2010 to Senior Executive Committee and the NRC Audit Committee a metrics-based annual report beginning in 2010 on its activities and will consult with other corporate branches to identify appropriate data and relevant information that could be added to this report.*

5. The Secretary General's Office should review the NRC Conflict of Interest Policy's requirement that all new employees sign a Conflict of Interest declaration to assess whether it remains appropriate. If this policy is to continue, the Secretary General's Office should ensure that all employee files, including those of guest workers, contain a Conflict of Interest declaration.

***NRC Management Response:***

*Agreed. NRC-SGO will revise the NRC policy and practices in the Fall 2009 to address this issue. This will be completed by December 2009.*

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Jayne Hinchliff-Milne, CMA, Chief Audit Executive

**NRC Review Team Member**<sup>2</sup>

Mark Shwed, CIA

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<sup>2</sup> The NRC Review Team was supplemented by a team of experienced auditors that were contracted to assist in conducting the review.