



Office of the Superintendent of
Financial Institutions Canada

Bureau du surintendant des
institutions financières Canada

Review Report on
Office of the Superintendent of Financial
Institutions
OSFI Planning Activities and Processes

April 9, 2008



Canada

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Background

A review of the OSFI planning activities and processes was approved by the Audit Committee and the Superintendent for inclusion in OSFI's 2006-07- Internal Audit Plan.

Overview of OSFI planning process

OSFI Integrated Planning Cycle, Figure 1, outlines the key steps of OSFI planning as presented to the Executive Committee in March 21, 2007. The presentation, *Planning Process and 2007-08 Budgets*, describes three types of planning within the cycle as follows:

“Strategic Planning - Annual process usually concentrated between August and November involving Executive Committee and Senior Directors which focuses on developing a 3-5 year view of OSFI's priorities factoring in industry outlooks, economic environment, policy environment and other key risks or threats raised during the ERM process. From this a Plan and Priorities Document is prepared.

Business (Operational) Planning – Operationalizes the Strategic Plan, through Sector level and cross-Sector level discussions (Managing/Senior Directors) in which Priority Projects are identified. Operational planning factors in resource requirements / availability, deliverables, timing, accountability, and performance measurement. From this process additional resource requirements are identified.

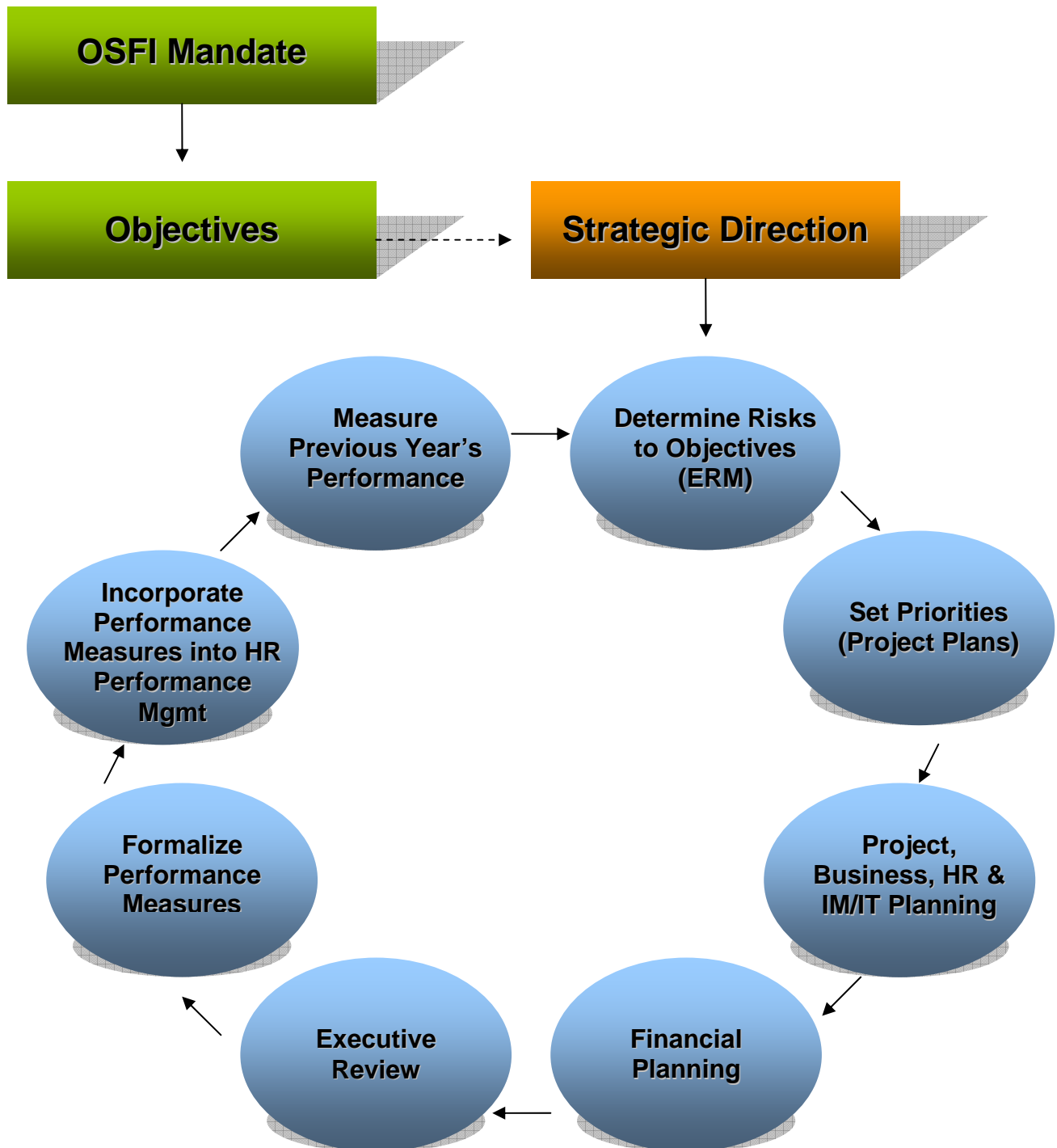
Budgeting - Translates the Operational Plans into financial terms involving a detailed costing of plans at the Responsibility Centre (RC) level.”

Over the last few years OSFI has undertaken significant improvements in planning with a risk management focus and emphasis on priority setting as reflected in OSFI's Integrated Planning Cycle, Figure 1. For example, at the Executive Planning Session in September 2006, the Executive approved in principle the setting of a long-term priority as a first key step in the planning cycle.

The *OSFI Planning Process Paper* submitted to Executive Committee in March 21, 2007 described the progress achieved to date in the *first* stage of enhancing the planning process and also outlined *two additional stages* of enhancements. Enhancements are underway and are planned in areas such as: setting long-term priorities, review of operational business plans, developing a project planning framework, inter-sector planning, the timing of financial planning, and integrating strategic planning into operational / business, planning performance reviews. These enhancements are to be introduced over a two to three year period.

Figure 1

Integrated Planning Cycle



Objectives and Scope

Objectives

The objectives of the review were to:

- Review OSFI planning activities and processes with respect governance & accountability, objective setting, operating environment, risk management, planning processes and communications and its integration with other oversight / management functions, and
- Identify potential areas for improvement in OSFI planning, if any

Providing assurance to the Superintendent

In order to manage its work in a complex and rapidly changing environment, OSFI develops and puts in place specialized policies, guidance and processes. In general, these are called frameworks. These frameworks provide assurance to the Superintendent and senior management that the nature and scope of work required to carry out OSFI's activities is well defined and that consistency and quality of the work is maintained.

Such frameworks are essential to the Superintendent and the Audit Committee in being able to fulfil their responsibilities under the Treasury Board Policy for Internal Audit regarding OSFI's governance, risk and control processes. Under the Policy, Audit & Consulting Services is to conduct assurance reviews and audits of OSFI's operations reporting on the adequacy of OSFI's frameworks and their application in carrying out OSFI's activities. This Review of OSFI's Planning Framework is such an assurance report.

Scope

The review included OSFI planning activities and processes¹ for the 2007/08 period and planned enhancements for 2008/09. The review focused on the management of OSFI planning, the processes followed, integration of the plans into monitoring and reporting, and how supporting functions, environment scanning, risk management, performance measurements, HR, information management / information technology, finance and corporate planning, are incorporated into planning.

The review was conducted on a collaborative basis involving exchange of views on OSFI planning, discussions on illustrative planning models, and sharing of our observations and assessments with the Executive Committee and management.

Matters *outside* of the scope of this review were:

- A review of the sector / division activities and their detailed operational plans (Supervision, Regulation, Corporate Services).
- An assessment of the underlying input, judgement and decisions made in developing OSFI plans and the degree to which planning activities and processes are being applied.

¹ OSFI Integrated Planning Cycle

- An assessment whether an informed reader would be able to follow the facts, analysis and judgements through to conclusions and decisions made.
- A review of the Office of the Chief Actuary planning framework except as appropriate, its integration with OSFI planning.

Review evaluation criteria

The evaluation criteria set out the elements and related components of the planning framework. These criteria were developed from varied sources of planning and control frameworks / processes and in consultation with Corporate Services officials responsible for strategic and corporate planning and the Assistant Superintendent, Corporate Services.

The evaluation elements and components, *Appendix 1 - Review Evaluation Criteria*, were used as the basis of assessing OSFI's planning activities and processes. To facilitate the understanding of the review observations and recommendations, this report is structured to follow the planning model, *Diagram 1*, such that our comments would follow logically from corporate planning to business planning to monitoring and reporting.

Review approach

The review was conducted according with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, consistent with the Treasury Board Policy on Internal Audit.

The work also included a review of enhancements underway or planned under a three phase planning development program established by the Executive. Where appropriate, improvements made, underway or planned are outlined in this report.

Interviews were held with OSFI officials involved in strategic and corporate planning, including members of the Executive Committee and the Superintendent, Sector planning officials, and the Director, Strategic Planning and Performance Measurement, the Managing Director, Finance and Corporate Planning and the Assistant Superintendent Corporate Services. Interviews were conducted in aspects of OSFI: Superintendent Office, Sectors Supervision, Regulation, and Corporate Services, and the Private Pension Plans Division, the Office of the Chief Actuary and Audit & Consulting Services.

Basis for evaluating OSFI planning

Planning models used

To facilitate our review we developed a 'planning model' as adapted to OSFI's environment. The model was used as a basis for reviewing OSFI's planning process. The model describes the basic principles of planning as follows:

- Broad statements of objectives are aligned with and support the achievement of OSFI's legislative mandate

- Corporate objectives contribute to achieving a focus for operations, as well as identifying opportunities for change in ongoing operations and projects
- The planning process is iterative and adjustments are made to the corporate plan and business plans so that OSFI's plans reflect changing circumstances during each three year planning period
- Management is assured that corporate objectives and business plans are likely to be achieved within available capacities (sufficient resources, skills and other needs are available)
- An assessment of and reporting on progress against plans is incorporated into management reporting.

Description of the Planning Model

Overview

The model has two planning phases: corporate planning and business planning.

Corporate planning focuses on the development of multi-year forward looking plans. This is articulated through a series of direction setting statements establishing a future desired state for OSFI. The key question to answer is: Will OSFI's objectives delivery on its mandate? What will OSFI look like in 3-5 years time? How will it have changed for the better?

The business planning process focuses on alignment of operations and projects plans with the corporate plan and it demonstrates how the corporate objectives are to be achieved. The key question to answer is: In support of the objectives, what can be done within OSFI's overall capacities in the business planning period (i.e., 1-2 years)?

The corporate plan and business plans are inextricably linked through the alignment of corporate objectives with overall capacities and business plans. Decisions and trade-offs about the commitments for achievement of corporate plans and business plans are formalized as the basis of finalizing sector and division operational plans (resources, budgets and work tasking).

The planning model introduces the Planning Sandbox Tools composed of environment scanning², enterprise risk management, capacity requirements assessment, and performance measurement. These tools are used in forming and assessing the corporate and business plans, and setting up monitoring and performance measures for reporting against the plans.

Corporate planning

The first step in corporate planning is establishing *strategic areas*. These areas cover the full range of operational and management considerations. As such, they provide a structure for developing and assessing broad objectives and related action plans required in achieving OSFI's legislative mandate. In covering all aspects of OSFI, they ensure that OSFI considers operations as necessary to meet its mandate and the full range of challenges, issues and concerns important to the future performance and development of the organization. In this way, OSFI employees will all be able to "see themselves" in the corporate plan.

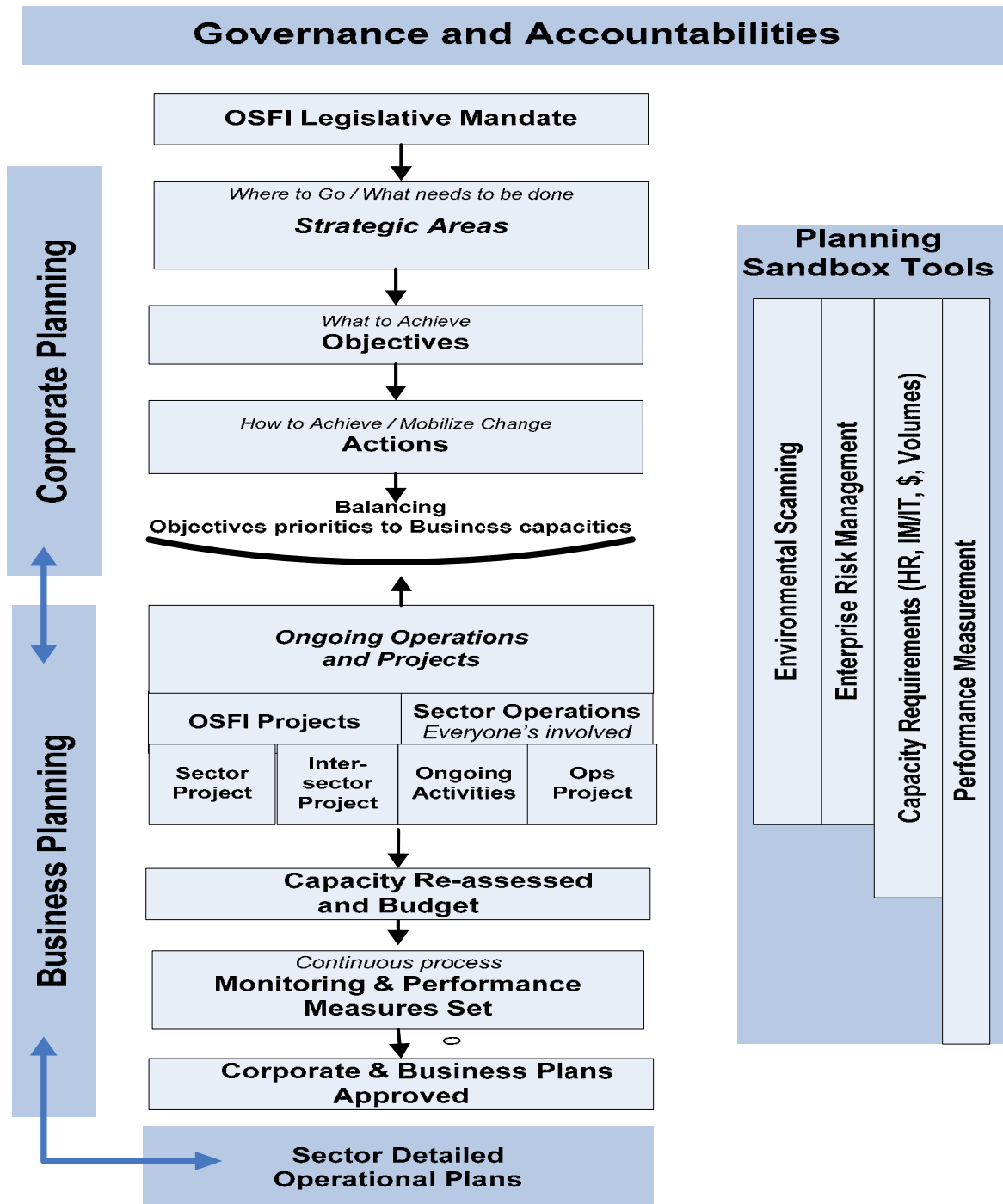
Within each strategic area, a direction is articulated through *objectives* that define *what to achieve*. These objectives address how OSFI is to achieve its mandate as well what is needed to

² For corporate planning discussions purposes, a consolidated analysis and assessment is prepared of key internal and external environmental and emerging issues covering all elements of the strengths, weaknesses, opportunities and challenges (SWOC).

strengthen the organization. The objectives are inclusive in that there is a *focus on operations and on opportunities for change and improvements.*

Diagram 1

Planning Model



For each objective, *actions* are developed detailing *how to achieve* the objectives. Some actions are broadly stated in that they affect the organization as a whole while others may be operationally (business line) focussed.

The second step in corporate planning is establishing operations and other objectives priorities and conducting an *assessment* of whether OSFI has the means for achieving the objectives. This top-down approach assesses whether corporate objectives are generally in balance over the planning horizon, say three-years. Priorities on objectives and actions are established, but not locked-down because further specification and assessment of the implications are required during the business planning process.

Business planning

The third step is translating the corporate plan into *business plans*. The purpose of business plans is to assess the impact of the corporate plan on operations and projects by demonstrating how corporate objectives will be achieved.

The business plans assess, at a high level, the resource requirements by demonstrating how competing demands, for both on-going operations and current as well new projects, across the organization will be *balanced*. They provide the Executive Committee with an opportunity to review and challenge assumptions about emerging business conditions, anticipated operational and project workload, financial considerations, and how changes in one sector may affect other sectors.

Balancing objectives priorities to business capacities

Business plans carry out a bottom up *capacity assessment* of whether OSFI has the means of achieving the corporate objectives and meeting priorities and operational demands. The central questions that business planning answers: Are overall capacities for undertaking objectives and actions, in the business planning period sufficient with respect to resources, timelines, and, generally operations and project requirements? If not, what alternatives and trade-offs between projects and operations are required? This exercise is depicted in the middle of the planning model, 'Balancing'. Commitments on corporate plans and business plans are locked-down as the basis for finalizing detailed budget operational plans.

Once business plans are developed they are used in preparing *detailed budget operational and project plans*. From the commitments made in the business plan the overall OSFI HR, IM/IT, and other "enabling" requirements are identified and estimated. The last step in the planning process is setting out performance measures for monitoring and reporting against the corporate and business plans.

Planning Sandbox Tools

Developing corporate and business plans require what we refer to as *Planning Sandbox Tools*. Each tool provides essential information to allow for a full analysis and assessment at each phase of the planning process. The tools are: environmental scanning, enterprise risk management, capacity requirements assessment, and monitoring and performance measurement.

Environmental scanning

Environmental scanning is an ongoing process providing analysis and assessment for day-to-day monitoring of financial and economic risks as well for planning purposes. This involves monitoring of internal and external factors that can potentially point to strengths/weakness

(internal), opportunities/threats (external) with respect to the operational effectiveness and efficiency. In planning, this involves an environmental scan document laying out the key issues that could be faced in the coming years as well as an analysis of the implications of these risk factors.

Enterprise-wide risk management

This tool takes a risk focussed lens to identifying internal and external weaknesses and threats, and the mitigation efforts required to respond to these threats. A *consolidated analysis and assessment* (i.e. a corporate risk profile) is a key input into corporate and business planning. The corporate risk profile provides essential information in forming corporate objectives and actions, and setting priorities such that risks are effectively managed.

Capacity requirements assessment

Throughout the planning model the concept of assessing plans against overall capacities is applied in progressively detailed information. This tool involves an assessment of the overall capacity at the corporate and business planning phases to ensure an equitable balance is achieved.

Monitoring and Performance Measures

The final stage in the planning model is setting out monitoring and performance measures against corporate and business plans. This will provide important feedback for accountability and performance reporting, and as appropriate for the adjustment of plans.

Governance and Accountability

Governance and accountability can generally be described as the processes and structures through which decision making authority is exercised. Governance and accountability is an overarching element to effective planning and communications with planners and generally to staff. There is an active and visible involvement of an executive committee in key decision steps, demonstrating a commitment to planning, as is currently the case at OSFI.

Observations and Recommendations

Overview

OSFI's planning activities and processes incorporate most aspects of a comprehensive planning framework. Over the years, OSFI has implemented important enhancements in planning. For example, OSFI's *Integrated Planning Cycle*, Figure 1, incorporates enterprise risk management, priority setting and performance measurement in support of planning exercises. For 2008/09 planning, the executive established a 'long-term priority' focusing on "the changing risk environment of our institutions and pension plans". Such improvements demonstrate OSFI's commitment to continuing to strengthen its planning function.

In looking forward, other enhancements in planning are underway and are planned in areas such as inter-sector project planning, coordination and communication, a shorter planning timeline, and alignment of corporate and operational plans.

As a collaborative review, our work involved discussions with the Executive

Committee and those involved in planning to share views on further improving OSFI's planning activities and processes. We identified opportunities in four areas that work in concert is establishing a comprehensive planning framework.

- *OSFI Planning – Improving and formalizing the planning framework* relates to organizing planning into corporate and business phases, and introducing a series of enabling information tools.
 - *Planning Sandbox Tools – consolidating planning information* relates to the use of consolidated information across OSFI in corporate and business planning.
 - *Reporting – improving reporting against plans* relates to setting of monitoring and performance measures to be used on management oversight and performance reporting.
 - *Governance and accountability – formalizing and communicating the responsibilities in planning* relates to defining the responsibilities, and deliverables, in planning.
-

OSFI Planning

Improving and formalizing the planning framework

Introduction

Through monthly meetings, weekly roundtables, and ongoing peer reviews of operations and areas such as risk management, human resources planning, the executive assess operations and current and emerging issues, and progress in achieving OSFI plans. This provides a foundation for planning, priority setting and development of corporate and operation plans.

In the past years, OSFI has pursued and achieved significant refinements in many aspects of its planning cycle, including but not limited to:

- Establishing an *Integrated Planning Cycle* process which has been followed for two planning cycles, communicating the overall process and improvements through meetings and presentations.
- Incorporating enterprise-wide risk management as an integral part of OSFI planning discussions and planning exercises, and in the *Plans and Priorities* document.
- Introducing a *long-term priority* as a corporate objective. This long term priority was communicated within OSFI through town hall meetings and e-mail messages from the Superintendent.
- A focus on balancing business plans with corporate objectives and overall capacities, including discussion and impact assessment of human resource, technology, projects, and finance in OSFI plans. Establishing

a committee for inter-sector project management and implementation across OSFI.

Planning frameworks are built around a series of meetings and activities which define the major phases or steps, planning responsibilities, and the key information used. OSFI planning officials suggested further formalizing of the planning process to consolidate current activities, practices and associated responsibilities, and incorporates planned changes.

In the planning model, a set of corporate objectives and actions organized by strategic area are referred to as a corporate plan. Strategic areas are categories of operations and management from which objectives are developed. OSFI's *long-term priority* (LTP) is a good example of a corporate objective envisioned in the planning model as it sets out a direction or focus (*what to achieve*) for addressing a *changing risk environment* for federally regulated institutions and private pension plans.

**Corporate
Planning**

Interviews indicated that a broad set of corporate objectives should be established covering both operational and management issues in achieving OSFI's mandate. Some objectives would be linked to a specific sector while others of common interest would cut across all sectors. In general terms, staff would expect to see their work in one or more of the corporate objectives and related actions.

Typically, corporate objectives are set through reference to the legislative mandate and executive discussions about corporate direction combined with consultations with senior managers. OSFI's *long-term priority* (LTP) is a good example of operational focused objectives that emerged from a range of options considered by the Executive Committee. Town hall meetings were held to introduce and explain the LTP. The sectors and divisions were asked to assess and report, if any, the implications of the LTP on their operations plans and related resources. Their reports would form the "actions" described in the model.

Developing a corporate plan as envisioned in the planning model calls for the articulation, alignment, and communication of objectives and actions in all strategic areas relevant to OSFI's performance. Also, within a strategic area, OSFI may develop cross-cutting objectives and / or actions that are relevant to more than one sector or division.

OSFI planners see the formalization and documentation of current activities as set out in the *Integrated Planning Cycle* flow diagram as an important step. The planning model underscores the benefits of a comprehensive structured planning process to communicate expectations regarding the planning process.

**Business
Planning**

An essential purpose of business plans is to assess whether objectives can be feasibly achieved during the planning period. At a summary level, business plans are aligned with the corporate plan (objectives) to assess whether OSFI has the overall capacity to manage operations and projects in

the context of the corporate plan.

Business planning is intended to provide assurance to the Executive Committee that the objectives and actions in the corporate plan are likely to be achieved. Through business planning process, a reconciliation of top-down objectives to bottom-up operational and project plans is achieved that ensures:

- Formalization of corporate plans and business plans as the basis of preparing detailed operational plans and budgets.
- Alignment of corporate objectives with the business's ongoing operations and projects;
- Consideration of alternatives and opportunities in operations and projects; and
- A structured approach that provides for balancing corporate objectives with business plans.

In the past, Business Plan Summaries were used in planning in assessing business plans against resources and budgets. Those interviewed suggested that Business Plan Summaries could be used for balancing operations and project demands with corporate plan requirements. This extended use of Business Plan Summaries (i.e., Sector / Division) would involve consolidation and assessment of information on operations demand, current and emerging issues, and human resources and financial plans.

Interviewees indicated that a more formal assessment of business plans against OSFI's corporate objectives and overall OSFI capacities would be very useful. For example, we note that OSFI, with respect to the *LTP*, conducted an assessment of the related implications on operations, human resources and budget plans.

Recommendation ***OSFI planning activities and processes should be further developed considering the features of this report's planning model.***

Planning Sandbox Tools

Consolidating planning information

Introduction Developing corporate and business plans require what we refer to as *Planning Sandbox Tools*. Each tool provides key information at each corporate and business planning phase as depicted in the planning model. The tools are: external and internal environmental scanning³, enterprise-

³ For corporate planning discussions purposes, a consolidated analysis and assessment is prepared of key internal and external environmental and emerging issues covering all elements of the strengths, weaknesses, opportunities and challenges (SWOC).

wide risk management (ERM), capacity requirements, and performance measurement. These tools are in different stages of development as OSFI's planning process and tools continue to strengthen. We outline below our observations and recommendations.

On an ongoing basis OSFI monitors and assesses developments in its financial institutions, the financial industry and, generally, Canada's and world-wide economies and events that may affect it. This information is incorporated into OSFI planning activities and executive discussions

***Environment
Scanning and
Risk Assessment***

In the Planning Sandbox Tools this process occurs through environmental scanning and risk assessment. The information provided by these tools has played an important role in planning and other discussions at the Executive Committee level and also at operational levels.

In planning exercises, the Executive Committee consider internal and external environmental challenges and risk. As well, the Executive Committee considered OSFI's *strengths* and *challenges* as input to the development of the *long-term priority*.

The Executive Committee discussions can benefit from the development of a SWOC document integrating readily available information from environmental scanning on Strengths, Weaknesses, Opportunities and Challenges. The outcome of the Executive Committee discussions would be a set of SWOC assessments that can guide the development of both objectives and actions, and business plans. The SWOC analysis would naturally include risk assessments on longer and emerging risks and trend analysis.

A SWOC analysis would bring to the surface a broad understanding of, as one author phrased it, *the probable contours of effective strategies, because every successful strategy builds on strengths...takes advantage of opportunities, while it also overcomes or minimizes the effects of weaknesses and challenges.*

Recommendation ***Establish a process for consolidation of environmental and risk information and assessments into a SWOC analysis for planning and decision making purposes.***

***Balancing &
Capacities***

In the corporate planning phase, the executive committee develops a *Long-Term Priority* and operations' priorities are identified for the planning period (3 years). As expected operations priorities are focused on delivery against OSFI's legislative mandate. In considering the right balance of the LTP and priorities to operations, the sectors are asked to assess and report on the impact, if any, of them. With the introduction of the LTP, OSFI is evolving a corporate level (top down) approach to setting corporate objectives and related priorities.

Resource assessment and resource allocation is central to OSFI's annual

planning for the sectors and divisions. It is designed to ensure an effective balance of resources between operations and projects. Currently, planners are provided with budget information and target levels of a number of staff and financial resources in preparing detailed operations and project plans and related budgets. Budget target levels are established based on prior year's budgets, targeted incremental increases, and a formal request for additional resources.

Human resources and financial options in implementing the plans are explored. Discussions of this nature currently occur at inter-sector project meetings and also at the executive level as part of the process of setting sector budgets. Those interviewed indicated that it would also be useful to have such discussions during both the corporate and business planning exercises.

In the model business planning phase, the corporate objectives and actions are used in preparing summary business plans. These business plans are designed to demonstrate there is an equitable balance between operational demands and project completion at the sector level, while being in balance with corporate objectives.

These business plans include both operations and corporate services areas such that operational and support functions requirements are integrated and balanced. Corporate service area plans would indicate their operational requirements as well as support to be provided to the sectors and divisions. In this way corporate services' plans are integrated into sector and divisions business plans.

Recommendation *Incorporate in OSFI planning a formal assessment of corporate objectives against business plans and overall capacities.*

Reporting

Improving reporting against plans

Observation In the past, reporting focused on assessing the status of operations and project activities, providing variance, project management and other financial reports. This information is used in OSFI's Quarterly Reporting and monthly Executive Committee discussions.

OSFI has made significant progress in performance measurement by identifying indicators and measures, establishing methodologies and processes for collection, assessment and reporting. To complement operational, financial and project information, OSFI recently established six corporate level performance measures. These measures are being incorporated into management monitoring and reporting processes.

OSFI is to establish corporate and business plan performance measures,

aligned with the top level corporate performance measures. These would focus on assessing the achievement of corporate and business plans, and ensure effective monitoring of when plans or operations need to be revised. These performance measures will be used as the basis for reporting on achievement of corporate and business plans and by extension the contribution made toward achieving corporate level performance.

Recommendation *Incorporate into OSFI planning the development of performance measures for monitoring and reporting on against the corporate and business plans.*

Governance and accountability

Formalizing and communicating the responsibilities in planning

Observation Governance and accountability for planning processes is a key element of effective planning, and communications with planners and generally to OSFI staff. Currently, Executive communications with planners and OSFI staff is a best practice, demonstrating a commitment to planning and ongoing improvements in OSFI's planning policies, processes and practices.

The recommendations above will involve change in the planning process. Therefore, to support a changed process, the respective roles and responsibilities of the Executive Committee, planning processes owners and content owners should be defined and incorporated into the OSFI planning framework.

Recommendation *Planning responsibilities should be formalized, incorporated into the OSFI planning framework and, after approval by the Executive Committee, communicated to planners and generally to staff.*

Conclusion

Overview

The review of OSFI's planning activities and processes covered the 2007/08 planning period, and the improvements made, underway and planned for 2008/09 and forward.

The review was conducted on a collaborative effort basis with valuable exchanges of views. In developing a planning model that is appropriate to OSFI and in shaping this report's recommendations, we had discussions and sharing of views with the Superintendent, Executive, and others involved in planning.

We observed strong support for improvements underway and planned in OSFI planning and in communication and sharing of OSFI's plans with staff.

Conclusion

Our review conclusion, based on assessment of OSFI planning activities and practices, and improvements underway and planned, is that:

Planning activities and processes incorporate a number of good elements and components of a comprehensive planning framework. As outlined in this report, there are areas for improvement in planning:

- *Improving and formalizing the planning framework*
- *Consolidating planning information*
- *Improving reporting against plans*
- *Formalizing and communicating the responsibilities in planning*

Our review team wishes recognize the excellent cooperation and contributions of all participants involved in the review.

Senior Director,
Audit & Consulting Services

Date

Management Response

Overall, management is of the view that this report presents a fair and balanced assessment of OSFI's current planning process and tools, and recognizes the significant enhancements that management implemented or initiated during OSFI's 2008 – 2011 planning cycle. Management is committed to the ongoing improvement of OSFI's planning activities and processes, and adopts value-add changes, tailored to OSFI's size and organizational capacity, wherever possible.

The table below consists of five sections in response to each of the recommendations presented in this report.

Improving and formalizing the planning framework

- OSFI has documented at a high level the various phases of its planning process, namely the corporate, business and financial planning phases and the communication phase. Each year, the Executive Committee approves the detailed planning activities and timeline.
- As indicated in the OSFI Planning Framework Review report, page 11, in recent years OSFI has pursued and achieved significant refinements in many aspects of its planning cycle. OSFI further improved its 2008 – 2011 planning cycle by:
 - Developing and communicating in June/July 2007 a Vision Statement and Long-term Business Priority (LTP). The LTP provided employees with strategic direction at the beginning of the planning cycle.
 - Enhancing the Project Planning template, which now requires that proposed projects be clearly linked to OSFI's plans/priorities, that all options considered be identified, and that each project be assessed against specific criteria to determine if it must be managed by the Project Management Group in accordance with OSFI's Project Management Framework.
 - Enhancing the Business Plan Summary template (refer to the section below on "Balancing objectives to business capacities" for more details).
 - Formally presenting to the Executive Committee business cases for new resource requests, which identify resource balancing/reallocation opportunities and risk assessments.
 - Adding a review by the Executive Committee of Project Plan Summaries and sector-level Business Plan Summaries, to ensure that OSFI's strategies to achieve its LTP and its objectives have been incorporated.
 - Further integrating Enterprise-wide Risk Management (ERM), Human Resource (HR) and IM/IT plans into the overall corporate and business plans. The integration of HR planning into business planning was identified in OSFI's 2007 – 2010 Plan and Priorities document and remains a priority for 2008-2011 planning.

Because of the significant and multiple refinements to OSFI's planning process over the past two or three years, Management agrees that OSFI's planning framework should be more formally documented and in greater

detail. Management will also consider developing a broader set of corporate objectives, including cross-sector objectives.

***Consolidating
planning
information***

A key step in OSFI's strategic planning phase is the conduct of an environmental scan (of the anticipated economic, financial, competitive and evolving global regulatory landscapes for the planning horizon) and an enterprise-wide risk identification and mitigation exercise (ERM process). Together, these assessments allow OSFI to identify the external and internal risks to the achievement of its mandate and its planning objectives.

OSFI's ERM process has matured over the last four years and is currently an annual exercise conducted by each division within OSFI's sectors. The environmental scan identifies systemic and/or world-wide issues, and also identifies issues specific to the various industries that OSFI regulates and supervises (e.g. Pensions vs. insurance vs. capital markets). Although the Executive Committee takes into account the results from both the ERM process and the environmental scan in the setting of OSFI's priorities and corporate objectives, the results of each process are not currently formally consolidated and analyzed/assessed using a full SWOC approach (Strengths, Weaknesses, Opportunities, Challenges). However, OSFI does assess its identified risks and sets its plans/priorities accordingly through a partial SWOC approach, mainly focused on Opportunities and Challenges. Strengths and Weaknesses are touched upon through the ERM process.

During the 2008-2011 planning cycle, OSFI decided to further build upon its established environmental scan and ERM processes, and new priority on enhanced identification of emerging risks, by implementing quarterly reviews of the identified risks and corresponding plans and, as appropriate, updating OSFI's corporate plan. This rolling process will help maintain OSFI's corporate plans ever-green and will be implemented effective the fourth quarter of 2007/08.

Management will consider a process for the consolidation of environmental and risk information and assessments into a SWOC analysis for planning and decision-making purposes.

***Balancing
objectives to
business
capacities***

During the 2008-2011 planning cycle, OSFI enhanced its Business Plan Summary template, which was submitted by each Sector Head (OSFI will consider the benefits of collecting Business Plan Summaries at the divisional level during its next planning cycle). The template now includes three distinct sections for the Sector's plans and priorities:

1. Key ongoing activities;
2. Operational projects (projects that will be managed and delivered within the sector); and,

3. Inter-sector projects (priority projects that will be managed by the Project Management Group).

Furthermore, for each initiative listed in these sections, the Sector must identify the:

- corresponding measure or measures that will be used to determine whether the desired outcome(s) has (have) been achieved;
- number of incremental Full-Time Equivalents that are being requested in the Budget to achieve these initiatives, if any; and,
- linkage between each of the initiatives and OSFI's Long-Term Priority strategies.

For the 2008-2010 plans, the Executive Committee reviewed the business cases for new resource requests, which identified resource balancing/reallocation considerations and risk assessments, and also reviewed the Business Plan Summaries to ensure that OSFI's strategies to achieve its LTP and its objectives had been incorporated.

Refer to the preceding recommendation for details on OSFI's plans to implement a rolling process for its environmental scan and ERM processes, and new priority on enhanced identification of emerging risks.

Improving reporting against plans

Refer to the improvements to OSFI's Business Plan Summary template described above. For each initiative listed in its Business Plan Summary, the Sector must identify the corresponding performance measure(s) that will be used to determine whether the desired outcome(s) has (have) been achieved, and the linkages between each of the initiatives and OSFI's Long-Term Priority strategies.

While some of these performance measures will be used for management monitoring and reporting on the achievement of OSFI's corporate and business plans, others will be used in external documents such as the *Report on Plans and Priorities (RPP)* and the *Departmental Performance Report (DPR)* which are tabled annually in Parliament, and OSFI's annual Plan and Priorities document and presentations to the regulated Industry Associations.

During fiscal year 2007/08, OSFI also developed performance measures and targets for its Program Activity Architecture (PAA); the PAA is a planning, reporting and accountability structure that depicts OSFI's programs and activities, their relationship to each other and to the Strategic Outcome(s) to which they contribute. OSFI submitted its PAA performance measures to the Treasury Board Secretariat in December 2007, and will use them effective 2008/09 in its annual RPPs and DPRs.

More remains to be done on linking strategic and operational/business planning to goal commitment documents and performance reviews; the

building blocks to do so were largely in place at the Sector level by the end of the third quarter of 2007/08. Next steps include the development of performance measures and targets, and the implementation of reporting on the set measures, at the Senior Director level.

***Formalizing
and
communicating
the
responsibilities
in planning***

The Corporate Services Sector centrally coordinates and oversees OSFI's planning process and activities, develops and deploys the planning templates/tools, consolidates and summarizes planning information for use by the Executive and Audit Committees, and provides analysis, assessment and support to the Executive Committee in developing HR, IM/IT and financial plans that are integrated with corporate plans.

Informally, the Finance & Corporate Planning Division advises sectors in their preparation of supporting planning information/documents and works with those responsible for producing planning information to ensure that it is integrated with OSFI's long-term priority strategies and corporate plans.

Since the 2006/07 planning year, F&CP prepares and delivers an annual presentation to all employees on OSFI's planning process and three-year financial plan. This presentation includes the roles and responsibilities of the various contributors to the planning process.

However, because OSFI's planning process has evolved in recent years and become significantly integrated, a greater number of inputs into the process by an increased number of people across the organization are now required. As such, Management agrees that the respective roles and responsibilities of the Executive Committee, planning processes owners and content owners should be defined, incorporated into the framework, and communicated across OSFI.

Management takes this opportunity to thank the Audit and Consulting Services team for its work and constructive feedback.

Review Evaluation Criteria – Appendix 1

The table aligns the evaluation criteria elements and components with the *planning model* for reporting purposes.

Elements	Components
Governance and Accountabilities	<ul style="list-style-type: none"> ▪ Responsibilities and reporting structures in OSFI planning are established ▪ Process exists of management oversight over the development of OSFI plans ▪ Process exists for management review and approval of OSFI plans ▪ The planning process is clearly articulated and established, involving clear and effective steps and instructions ▪ Feedback loop process exists for monitoring OSFI plans and updating as appropriate ▪ Ongoing and transparent communications with management and among staff ▪ Planning skills are identified, defined and incorporated into planning profiles
Planning	
Corporate Planning (Strategic areas, Objectives, Actions)	<ul style="list-style-type: none"> ▪ OSFI objectives and strategies are established (defined, documented and communicated) ▪ Objectives and priorities cascade down to and up from sectors and divisions ▪ Alignment of sector and division plans to corporate objectives and strategies
Business Planning (Ongoing Operations & Projects)	<ul style="list-style-type: none"> ▪ Development of multi-year business summary plans incorporating resource needs and interdependencies ▪ OSFI capacities are determined and incorporated in OSFI planning
Monitoring and Performance Measures	<ul style="list-style-type: none"> ▪ OSFI performance measures are established (defined, documented and communicated), aligned with sector / division plans ▪ Assessment of prior-years results and performance against OSFI plans ▪ Information required for reporting against plans is defined, document and communicated ▪ A process for progress reporting and revision of OSFI's plans is defined, documented and established
Planning sandbox tools	
Environmental Scan	<ul style="list-style-type: none"> ▪ External and internal environments are monitored and information gathered ▪ Environment issues are identified, assessed and incorporated into OSFI planning
Enterprise –wide Risk Management	<ul style="list-style-type: none"> ▪ Risk and risk tolerance information is incorporated into plans and cascades down to business and project plans ▪ Sector / division risk information, consistent with ERM framework, is incorporated into business and project plans and cascades upward to OSFI planning
Capacity Requirements Assessment	<ul style="list-style-type: none"> ▪ Capacity and resource allocation process that aligns corporate objectives and priorities with sector / division business and project plans ▪ OSFI plan broken down by capacity and resources, and timelines (i.e. multi-year budgets)

Definitions of terms used – Appendix 2

Terminology	Definition
<i>Corporate Plan</i>	
Strategic Areas	<p>Strategies are applied to achieve objectives. The Canadian Institute of Chartered Accountants (CICA) in the document <i>20 Questions Directors Should Ask About Strategy</i> defines objectives as encompassing the vision (vision goal), mission (mission goal), and values (values goal).</p> <p><i>Where to Go</i></p>
Objectives	<p>Essentially an objective is the state of affairs that a plan is intended to achieve within a certain time period. Objectives keep an organization focused, performing a critical check-and-balance in the process of deciding where it should be going.</p> <p>Objectives provide for an operational focus as well as a change focus for organizational improvements.</p> <p>Specific objectives can be chosen by the Executive as an area of particular focus for work for the whole organization during a planning period (recently referred to as the Long-term Priority).</p> <p><i>What to Achieve</i></p>
Actions	<p>An action can be defined as an elaborate and systematic plan of implementation.</p> <p><i>How to Achieve / Mobilize Change</i></p>
Capacities	<p>Volumes of work, resources (FTE levels, staff experience and expertise, sources of revenue), constraints (permanent, self-imposed), flexibility of resource allocation</p>
Business Plan	<p>Development of multi-year business and project summary plans incorporating resource needs and interdependencies between sectors / divisions and supporting functions. OSFI corporate capacities are determined and incorporated into the business plans.</p>
Business Enablers	<p>Enabling functions such as HR, IT infrastructure, information systems, facilities, etc.</p>
Budgeting	<p>Capacity and resource allocation process over the business plans by sectors and operations and project plans.</p>

Business Plans

Ongoing Operations: Ongoing Activities	Core activities / business lines regularly carried out annually necessary to meet OSFI's legislative mandate.
Sector Operations: Ops Project	Project that is designed to support further advancement of operational efficiency and effectiveness and that is normally funded internally by the sector.
OSFI Projects: Inter-sector Project	Project that requires collaboration and or resources of two or more sector / division to the achievement of objectives and actions; central funding; and / or central management oversee. Basel II is an example of an inter-sector project.
OSFI Project: Sector Project	Project that aligns with a goal and implementation strategy; benefits only one sector; does not require significant involvement of others to complete; requires central or part there of funding; and / or Executive involvement / oversee.

Planning Sandbox Tools

Environment Scanning	For corporate planning discussions purposes, a consolidated analysis and assessment is prepared of key internal and external environmental challenges covering all elements of the strengths, weaknesses, opportunities and challenges (SWOC).
ERM	This tool takes a risk focussed lens to identifying internal and external weaknesses and threats faced by OSFI and the mitigation efforts required to respond to these threats. The corporate plan incorporates these concerns in developing objectives and actions.
Capacity Requirements	This tool involves an assessment of capacity at the corporate and business phases of OSFI planning to ensure there is an equitable balance between projects and ongoing operations.
Performance Measurement	The final stage in the planning model is setting out monitoring and performance measures against corporate and business plans. This will provide important feedback for accountability and performance reporting, and as appropriate the adjustment of plans.