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Ottawa, Canada K1A 0S5

The Honourable Kevin Sorenson, PC, MP
Chair
Standing Committee on Public Accounts
House of Commons
Sixth Floor, 131 Queen Street
Ottawa, Ontario K1A 0A6

Dear Mr. Sorenson:

Pursuant to Standing Order 109 of the House of Commons, I am pleased to provide the Government Response to your Committee's report entitled *Report 4, Information Technology Shared Services, of the Fall 2015 Reports of the Auditor General of Canada*, presented on June 1, 2016.

I read your report with interest and value your observations. The attached response addresses the eight recommendations put forward in the report.

I thank you and the members of the Standing Committee on Public Accounts for your work and dedication. This Committee's work is timely and aligns with the comprehensive review and consultations now underway on Shared Services Canada's information technology Transformation Plan to modernize the government's information technology services.

Sincerely,

Judy M. Foote, PC, MP
Minister of Public Services and Procurement

c.c. The Honourable Scott Brison, PC, MP
President of the Treasury Board

The Honourable Tom Lukiwski, PC, MP
Chair, Standing Committee on Government Operations and Estimates

Caroline Massicotte
Clerk of the Standing Committee on Government Operations and Estimates

Michel Marcotte
Clerk of the Standing Committee on Public Accounts

Canada

**GOVERNMENT RESPONSE TO THE
REPORT OF THE HOUSE OF COMMONS STANDING COMMITTEE ON PUBLIC ACCOUNTS
ENTITLED:**

***REPORT 4, INFORMATION TECHNOLOGY SHARED SERVICES, OF THE FALL 2015 REPORTS OF
THE AUDITOR GENERAL OF CANADA***

On June 1, 2016, the House of Commons Standing Committee on Public Accounts (PACP) tabled its ninth report, entitled *Report 4, Information Technology Shared Services, of the Fall 2015 Reports of the Auditor General of Canada*. The PACP's report was based on its study of the Office of the Auditor General of Canada's (OAG) fall 2015 report entitled *Report 4—Information Technology Shared Services*, released in February 2016. During its study of the OAG report, the PACP heard from witnesses representing the OAG, Shared Services Canada (SSC) and the Treasury Board of Canada Secretariat (TBS).

The PACP presented eight recommendations to the Government based on its review of the OAG report and deliberations on the Auditor General's findings. The Government has taken full account of the PACP's report and recommendations and welcomes the opportunity to provide this response to inform the PACP of its progress.

In 2011, SSC was created to consolidate and modernize federal information technology (IT) infrastructure services. Since its creation, SSC has been operating 50 networks, over 500 data centres and more than 23,000 servers for its 43 partner departments. SSC is working with its partners to standardize, consolidate and re-engineer federal IT infrastructure into a single, shared, whole-of-government ("enterprise") IT system. SSC's aim is to deliver one email system, consolidated data centres, reliable and secure telecommunication networks and 24/7/365 protection against cyber threats to all 43 departments. In 2013, SSC established an initial seven-year IT transformation plan, which set out a roadmap and timetables for delivering on this complex agenda.

SSC has achieved concrete progress across all areas of the transformation plan since its establishment. For example, as of March 31, 2016, SSC had closed a total of 62 data centres, installed over 97,000 desktop phones with Voice over Internet Protocol technology, provided Wi-Fi service to over 30,000 public servants, made enterprise video-conferencing available to all 43 partners and established a Security Operations Centre to strengthen the cyber and IT security posture across the government. Notwithstanding this progress, the scale, scope and complexity of the transformation agenda is unprecedented and involves extensive synchronization and co-ordination across all initiatives and the entire government.

In 2015, the Auditor General examined SSC's progress in implementing its transformation agenda while at the same time maintaining the operation of older ("legacy") infrastructure and services. The OAG's findings, set out in *Report 4—Information Technology Shared Services*, addressed the first two years of the seven-year IT transformation plan and focussed on its planning and design phases, which SSC has since implemented.

Overall, the OAG found there were weaknesses in SSC's implementation of federal IT shared services, specifically in managing service expectations with its partners and in measuring and tracking progress on transformation initiatives. The OAG report's recommendations for SSC focused on the importance of developing a service strategy and a service catalogue and establishing service level expectations; improving measurement and reporting with regard to IT system health, partner satisfaction and progress on transformation initiatives; strengthening financial strategies and methodologies; and establishing expectations and providing sufficient information to partners regarding elements of IT infrastructure security. The OAG also recommended that TBS put into effect an IT strategic plan for the Government of Canada to provide overall direction for IT.

The Government has accepted the recommendations of the Auditor General and has taken substantial and specific steps to renew and reinforce its commitment to building a secure and reliable enterprise-wide model for the delivery of digital services.

In the 2015 Speech from the Throne and in Budget 2016, the Government articulated its commitment to upholding openness and transparency in all of its operations, ensuring the security of Canadians and stimulating economic growth through sustainable investments in Canada's infrastructure. This commitment included an investment in SSC of \$383.8 million over 2016–2017 and 2017–2018 to ensure the integrity and reliability of mission-critical systems. In addition, the Government invested \$77.4 million over five years, starting in 2016–2017, to implement new measures to improve security and to ensure that the government can better defend its networks and systems from cyber threats, malicious software and unauthorized access.

Informed by lessons learned, the OAG's findings and recommendations, and extensive consultations, SSC and TBS are responding to the PACP's report and recommendations.

On June 29, 2016, the President of the Treasury Board announced the publication of the Government of Canada's Information Technology Strategic Plan 2016–2020. The plan sets out the high-level direction for the management and use of IT in the federal government over the next four years. The plan provides not only a whole-of-government approach to guiding departments and agencies in transforming IT within their organizations, but also the context in which SSC is updating its transformation plan for enterprise IT infrastructure.

In fall 2016, to inform the revision of its transformation plan, SSC is engaging with employees, departments, the IT industry and Canadians through a comprehensive consultation process. TBS and SSC are also working together to obtain an independent validation of SSC's transformation plan. This independent review will examine SSC's plans to reinforce security, maintain legacy IT systems and transform enterprise IT infrastructure. The independent review will also assess SSC's service strategy and relationships with partners.

Overall, through this process of consultation and review, SSC will re-validate the scope, pace and cost of its transformation plan with a view to ensuring SSC is well positioned and appropriately resourced, going forward, to deliver on its mandate for the benefit of Canadians.

As SSC moves forward, it will remain mindful of the findings and recommendations of both the Auditor General and the PACP. Below are responses to each of the PACP's recommendations, highlighting progress made to date and outlining those areas where further work or consultation is required.

RECOMMENDATION 1

That, by 1 December 2016, Shared Services Canada (SSC) provide the House of Commons Standing Committee on Public Accounts with SSC's service management strategy.

Response

The Government agrees with this recommendation and recognizes the importance of a service management strategy to assist SSC in demonstrating that it is maintaining or improving its IT services and is evaluating whether those services are adequately supporting its partners' capacity to deliver services to Canadians.

In December 2015, SSC finalized a comprehensive three-year service management strategy for 2015–2018. Designed in accordance with the Treasury Board's *Policy on Service* and the Auditor General's recommendations, this strategy was communicated to partners on February 1, 2016. SSC will provide the Committee with its Service Management Strategy for 2015–2018 by December 1, 2016.

The Service Management Strategy sets out how SSC will deliver enterprise IT infrastructure services to meet the needs of its partners and clients. The strategy reflects SSC's overall approach to providing legacy and transformed services at defined levels, the role of partners within the strategy, how partner and client needs will be considered and addressed, and how the approach results in the best value for Canadians.

The Service Management Strategy also outlines the service improvement initiatives that SSC intends to implement over three years, to improve both its approach to service management and the delivery of its services to clients. The strategy initially focusses on five priority services, namely email, application hosting, mobile devices, the Government of Canada's wide area network and videoconferencing. The first annual review of the strategy will be completed in December 2016. During the first few annual reviews, the scope of the strategy will be expanded to non-priority services.

From an operational standpoint, SSC has also established a dedicated service management program to provide enterprise-level oversight and support, as well as establish enterprise standards, processes and tools, for the delivery of IT services to customers. This organizational

initiative is fully consistent with SSC's intention to increase its focus on client service and service management rigour as it moves forward with its transformation agenda.

RECOMMENDATION 2

That, by 1 December 2016, Shared Services Canada (SSC) provide the House of Commons Standing Committee on Public Accounts with a report summarizing the service level expectations established by SSC for all its services.

Response

The Government agrees with this recommendation and recognizes the importance for SSC of establishing clear and documented service level expectations for all of its services.

Through its service catalogue, SSC is more clearly articulating service level expectations and associated performance targets and is establishing a basis for meaningful operational performance reporting.

SSC has defined six core service level expectations, which are based on industry norms. These expectations address service hours, regularly scheduled maintenance, availability of service, mean time to restore service, external vendor support hours and request fulfillment duration (i.e. time period for fulfilling a request containing correct and complete information). SSC has also developed performance targets associated with the core service level expectations for its five priority services, namely email, application hosting, mobile devices, the Government of Canada's wide area network and videoconferencing, as well as for a range of other services.

The service level expectations and associated performance targets have been included in SSC's *Service Catalogue* and made available to all departments through publication of the catalogue on SSC's *Serving Government* extranet site.

SSC will provide the Committee with a report summarizing the service level expectations for all of its services by December 1, 2016.

RECOMMENDATION 3

That, by 30 June 2016, the Treasury Board Secretariat of Canada provide the House of Commons Standing Committee on Public Accounts with the approved IT Strategic Plan for the federal government, and explain the actions that it will take to help the departments and agencies implement this plan.

Response

The Government agrees with this recommendation, which confirms the importance of a plan to advance the Government of Canada's strategic direction for IT.

In June 2016, the President of the Treasury Board announced the publication of the Government of Canada's Information Technology Strategic Plan 2016–2020. The plan can be found on the TBS website and in annex to the President's news release of June 29, 2016.

The plan provides the strategic direction for IT in the Government of Canada for the next four years and guides departments and agencies in the management and use of IT as an enterprise asset for delivering better government programs and services to Canadians. The plan also informs departmental IT activities and helps inform SSC's direction and priorities.

TBS is fully committed to helping departments and agencies implement the plan by providing communications, guidance and oversight through specific activities in four key areas, namely governance, planning, engagement and measuring progress.

In the first key area, governance, TBS will strengthen enterprise IT governance and direction to departments and agencies through the Deputy Ministers' Committee on Enterprise Priorities and Planning. Established by the Public Service Management Advisory Committee, the Deputy Ministers' committee oversees an integrated approach to enterprise decision-making and resource management for the consolidation and modernization of federal IT infrastructure. The Deputy Ministers' committee also fulfills an important function by providing a forum for the alignment of IT investments with Government of Canada priorities, offering leadership to departments and agencies on the adoption of enterprise IT services and providing customer endorsement to SSC on its transformation plan.

In the second key area, planning, TBS is continuing to work with departments and agencies through the annual IT planning cycle. TBS will facilitate and monitor the alignment of departmental three-year IT plans with the strategic actions outlined in the Government of Canada's IT Strategic Plan. Keeping the IT Strategic Plan "evergreen" will allow for adjustments to sequencing and pace to ensure departmental capacity is respected. In addition, TBS is actively supporting SSC in its efforts to contract an expert third-party reviewer to contribute to the development of its transformation plan.

In the third key area, engagement, TBS is providing ongoing advice and direction to departments and agencies through the Chief Information Officer Council and its Sub-Committee on IT Work Force, and through the Government of Canada Security Tri-Partite Committee. In addition, stakeholder consultations on the IT Strategic Plan have been and will continue to be held. Feedback received from these ongoing consultations will contribute to the "evergreening" of the plan.

Finally, in the fourth key area, measuring progress, TBS will monitor the key performance indicators set out in the Implementation Roadmap for the IT Strategic Plan and report to the Secretary of the Treasury Board of Canada on an annual basis.

RECOMMENDATION 4

That, by 1 December 2016, Shared Services Canada provide the House of Commons Standing Committee on Public Accounts with its complete security expectations document.

Response

The Government agrees with this recommendation. SSC will provide the Committee with the document containing its security expectations, a RACI matrix (based on four criteria, namely Responsible, Accountable, Consulted and Informed), by December 1, 2016.

With respect to the specific recommendations made by the OAG, SSC agrees with the importance of ensuring that roles and responsibilities in the area of IT security are clear and adequately documented. SSC has committed to helping its partners carry out their IT security responsibilities by establishing expectations related to security roles and responsibilities.

Early in 2016, SSC launched consultations with its partners to develop the RACI matrix, which defines their key security activities and interdependencies related to SSC's core IT services. The matrix also addresses SSC's role in providing partners with documentation on the security of government-wide IT services, including security incident reports, which are reported through SSC's key security governance committee, the Security Risk Management Board.

A baseline analysis of current performance in the area of IT security has also been completed, and SSC has engaged its partners and the IT industry in identifying security performance measures. Beginning in the fall of 2016, SSC will report to partners on the performance measures using a dashboard.

Going forward, SSC will ensure that its security expectations document continues to reflect changes to the government security framework, including the upcoming renewal of the Treasury Board's *Policy on Government Security*.

RECOMMENDATION 5

That, by 1 December 2016, Shared Services Canada (SSC) provide the House of Commons Standing Committee on Public Accounts (Committee) with its updated Transformation Plan, including the new timelines for the completion of the three transformation initiatives: email, data centres, and network services. In addition, beginning with the 2016–2017 fiscal year, SSC should, no later than 30 days after the end of each fiscal year, provide the Committee with an annual progress report on each of the transformation initiatives until they are completed.

Response

The Government agrees with this recommendation. SSC will provide the Committee with its revised IT transformation plan once it is finalized. The revisions will be based on SSC's fall 2016

consultations with its partners, the IT industry and Canadians, on the fall 2016 independent review and on any subsequent Cabinet input.

The revised transformation plan will be comprehensive and include detailed implementation strategies and revised timelines for the completion of SSC's transformation initiatives related to email, data centres, network services, the procurement of workplace technology devices, and cyber and IT security.

The document outlining the proposed revised transformation plan can currently be found by clicking on the *Consulting Canadians* link on the *Open Government* website (open.canada.ca). The revised transformation plan will be finalized following consideration by Cabinet. SSC will provide annual progress reports on implementation of the transformation initiatives through its departmental performance reports.

RECOMMENDATION 6

That, by 1 December 2016, Shared Services Canada (SSC) provide the House of Commons Standing Committee on Public Accounts with its approved Service Pricing Strategy, and explain how this strategy will help SSC prioritize and allocate its funding and ensure that it has the available funding to address its deficiencies.

Response

The Government agrees with this recommendation and recognizes that sound financial management practices and funding strategies are fundamental to the sustainable and successful implementation of SSC's transformation agenda.

To date, SSC has developed pricing strategies for mobile devices, email, mainframe general-purpose computing, personal identification authentication (i.e. My Key) and Wi-Fi. It has also developed a pricing tool to respond to growth in partner demand.

SSC has begun discussions with partners and central agencies on the possibility of using different funding models that would allow SSC to have the proper funding available to pay for services, growth, transformation activities and evergreening. Recommendations resulting from the discussions will require Ministerial approval and will impact the Service Pricing Strategy. As a result, the approved Service Pricing Strategy will be included in SSC's revised IT transformation plan, which will be provided to the Committee following consideration by Cabinet.

With regard to the issue of prioritizing and allocating resources, SSC undertook a thorough review of its approach for fiscal year 2016–2017 in full consultation with its partners. The Deputy Ministers' Committee on Enterprise Priorities and Planning provided leadership and input in this regard. The methodology applied by SSC and the results will be reflected in SSC's

revised transformation plan, which, as mentioned above, will be finalized following consideration by Cabinet.

RECOMMENDATIONS 7 and 8

That, by 1 December 2016, Shared Services Canada (SSC) provide the House of Commons Standing Committee on Public Accounts with a progress report outlining how SSC refined its methodologies and practices to more accurately determine and report savings to Parliament and the Public. This report should include the baseline used to calculate the savings, and a detailed list of all the costs borne by the federal government that were not taken into account in the calculations.

And

That, going forward, Shared Services Canada publish concrete financial benchmarks of cost savings that align with its annual strategic plan, and report on them annually, including a full discussion of any key factors that caused a material deviation from the benchmarks.

Response

The Government agrees with these recommendations and with the importance of standardized and reliable cost management practices to ensure that SSC can produce consistent, timely and accurate cost and savings information. In this regard, SSC is refining its methodologies and practices to ensure that it can more accurately determine and report savings to Parliament and the Public.

Specifically, SSC has developed an enterprise-wide cost management framework to ensure that increases in demand for SSC's services can be properly costed in a consistent manner.

SSC is currently enhancing the Enterprise-wide Cost Management Framework in order to integrate more detailed expenditure and volume data, to refine the calculation of total and unit costs for both legacy and enterprise-wide services, as well as for each partner and client, and to enable the comparison of budgeted and actual costs.

Regarding the inclusion of partners' costs, SSC will work with TBS to obtain the data reported annually on the IT costs borne by other federal departments.

With regard to measuring and monitoring cost savings, SSC will develop financial benchmarks for cost savings and integrate those benchmarks into the Enterprise-wide Cost Management Framework so that they can be compared to actual financial results.

As the transformation proceeds, the actual cost of services (enterprise-wide and legacy) will be calculated in the Enterprise-wide Cost Management Framework and compared to the baseline

service costs. The framework will provide the necessary cost information to isolate variances related to volume and those related to changes to the unit costs of the services provided.

The Enterprise-wide Cost Management Framework will provide the necessary level of information to identify the key factors leading to significant deviations from the financial benchmarks. Such factors could include increases or decreases in consumption, a slower pace of partner migrations to the transformed services, or changes to planned expenditures.

Following its consideration by Cabinet, SSC's revised IT transformation plan will be provided to the Committee. The revised plan will include information regarding the Enterprise-wide Cost Management Framework and how SSC has refined its methodologies and practices to determine and report on savings, including the baseline used to calculate the savings and a list of the costs not taken into account in the calculations. Furthermore, the revised plan will contain SSC's financial benchmarks for cost savings. SSC will report annually on those benchmarks, including on any significant deviations, in its departmental performance reports.