NEWS

‘Bad, bad, bad’: Public service culture could lead to another Phoenix, say experts

By EMILY HAWS (https://www.hilltimes.com/author/emily-haws) MAY 30, 2018

Officials knew about the problems, and cancelled a test project to meet timelines, says the auditor general’s report.

Auditor general Michael Ferguson says the building and implementation of Phoenix was an ‘incomprehensible failure’ in his report tabled Tuesday. The Hill Times photograph by Andrew Meade

A culture in the public service that encourages meeting budgets by any means necessary is being
blamed as the true root cause of the Phoenix pay system failure, and experts say those cultural elements that have cost the government $1.2-billion and counting are still there.

Former bureaucrat turned Queen's University professor Andrew Graham, who has been tracking government failures, said Phoenix ticked all the boxes for a large-scale government boondoggle, and that it will likely happen again.

"Well probably not [with] the [new] pay system because they might actually be so skittish that they might actually do it right," he said. "But I fully believe that all of the characteristics that I've identified are sitting in the culture and it can happen again anytime."

In a scathing report released on Tuesday, Auditor General Michael Ferguson concluded the department responsible for building and implementing the Phoenix pay system knew about all of the expected issues, lacked an adequate contingency plan, and still gave the project the green light.

Calling it an "incomprehensible failure of project management and oversight," the report said that when Public Services and Procurement Canada (PSPC) was faced with possible higher costs, it removed or deferred critical pay functions, which "were serious enough that the system should not have been implemented."

Prof. Graham said the project was set up to fail by design under the Tory government in power at the time.

"You underfund it, you add new people, you shut down old systems, you declare the savings," he said, all of which are characteristics of failed projects on a consistent basis. "What clearly happened under the current government is that all of these things came undone and nobody said 'stop, we're reading these signals loud and clear, they're screaming at us.'"

Independence was a key missing factor, he said, as were ongoing audits throughout the process that were independent from PSPC executives. The auditors should be able to report directly to a governing board, bypassing the executives to ensure bad news is passed along, he said. Those responsible will say they did these audits, Prof. Graham said, but he said it's clear they haven't.

"For example, all of their steering committees were chaired by people at [PSPC]," he said, adding they should have been chaired by client departments. "Bad, bad, bad."

The auditor general's report— one of seven performance audits of government programs and activities completed by his office and released on May 29— said executives failed to communicate Phoenix problems to the deputy minister.

Culturally, the bureaucracy is risk-averse to the point where policies are followed as check-boxes, but their spirit isn't implemented, Mr. Ferguson said, adding one can't be 100 per cent certain a large-scale failure will never happen. The nature of the culture was highlighted throughout his seven reports, he said.

"There needs to be some real attention to making sure that the end outcomes are what were expected, rather than just adherence to a set of rules and steps that are listed in a policy," he said. "It's not a competence [issue], it's a 'has the culture become so risk-averse, so wanting to avoid blame for mistakes...that these types of things happen?'"

The Phoenix pay system has left almost 75 per cent of bureaucrats with pay issues since it went live in February 2016. The project was supposed to consolidate pay to save the government about $70-million annually, but so far the government has sunk in $1.2-billion and counting. Overall, both the
Tories, Grits point fingers after AG report released

In response to the report, Liberals said they had no choice but to implement Phoenix due to the previous Conservative government laying off 700 pay advisers and rendering the old pay system unusable. The Conservatives said the Liberals should have heeded the warnings against implementation, with PSPC critic Tony Clement (Muskoka, Ont.) adding that his party wants the three Phoenix executives responsible for building and implementing the project to testify in front of a parliamentary committee.

Both Treasury Board President Scott Brison (Kings-Hants, N.S.) and Public Services Minister Carla Qualtrough (Delta, B.C.) said they accepted the report’s five recommendations, and reiterated their respective commitments to fixing Phoenix and implementing the new pay system.

In particular, Mr. Brison said the Treasury Board has implemented a new policy allowing executive performance pay, or bonuses, to be clawed back if new information comes to light that would change someone’s evaluation, in an attempt to curb the notion that Phoenix executives were only concerned with being on budget and on time, in order to get their bonus.

He added that his understanding is that senior executives who implemented Phoenix had their bonuses withheld in 2015 and 2016.

Mr. Brison also discussed implementing new tech project standards to include end-to-end testing and ongoing user testing and agile development, and said he believes the Phoenix problems wouldn’t have happened if these standards were in place when it was being built.

Ms. Qualtrough reiterated her government’s steps to address Phoenix failures, saying it has worked to overhaul the governance model, ensure rigorous oversight, invest the necessary resources to stabilize the system, and develop the human capacity to work through the pay problems.

Professional Institute of the Public Service (PIpsc) president Debi Daviau said she was pleased with the report, but said she thinks the auditor general should look more closely at how the contract was developed in order to figure out all of the mistakes and ensure they aren’t happening again.

She said she wasn’t surprised by report’s finding that the government had no plan to do software upgrades, as the system didn’t even have full functionality. She reiterated that culture was the real reason for the project’s failure, and still is, as she said she believes there is a level of protectionism.
at PSPC, protecting the bad decision-makers. The Treasury Board, however, is working well as a
PIPS Business partner, she indicated.

Ms. Daviau also called the years under the Stephen Harper Conservative government the “big chill”
for the public service.

“Public servants were not encouraged to speak out about failures, they worried in fact about saying
anything at all that might not be in line with the government’s ideology,” she said. That led to
people making decisions based on budgets and not based on other values.

She said she doesn’t believe that culture shift away from the chilly years has permeated the ranks,
particularly at PSPC because it’s been dealing with Phoenix. The department isn’t ready to work in
an open and transparent way that would have to happen so that Phoenix doesn’t repeat itself, she
said.

The Public Service Alliance of Canada said in a statement it will be submitting a formal request for
public inquiry into the pay fiasco.

Solution is mitigating risk, asking good questions, says ex-assistant PBO

Former assistant parliamentary budget officer Sahir Khan, who is now the executive vice-president
of the University of Ottawa’s Institute of Fiscal Studies and Democracy, said that the generational
change will take too long, if it happens at all.

In the meantime, the government should focus on three key points: capturing and containing risk
at the front end; shrinking the problem; and putting a stop to unnecessary innovation.
Governments all over the world have payroll, he said, so Canada should copy them instead of re-
invinting the wheel.

“If someone thinks that their project is unique and they need to be first, they likely haven’t done
their homework or misunderstand the risk,” he told The Hill Times in an email.
The government is not an enterprise, he added, so there can be more than one solution for a problem. Instead of having one payroll system across government, you could have multiple, for example, so that when one goes down, it doesn’t all go down.

Finally, he said the public sector could give more clout to its chief financial officers, as is done in the private sector. Being the CFO of a company is the main way to eventually lead the company, he said, but rarely does it lead to being a deputy minister. Risk and cost needs to be at the front of the project from the beginning, he said, not an afterthought.

ehaws@hilltimes.com (mailto:ehaws@hilltimes.com)

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