



Agriculture and  
Agri-Food Canada

Agriculture et  
Agroalimentaire Canada



# Audit of the Agricultural Flexibility Fund

Office of Audit and Evaluation

Final Report

January 2011

The AAFC Audit Committee recommended this audit report for approval by the Deputy Minister on January 27, 2011

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## EXECUTIVE SUMMARY

A “Program Under Development Audit” of the Agricultural Flexibility Fund (AFF) was originally scheduled to be conducted in 2010-11, in accordance with the 2009-12 Risk-Based Audit Plan. It was advanced, with the concurrence of the Departmental Audit Committee, to 2009-10 in light of the Auditor General’s interest in the Economic Action Plan (EAP) initiatives.

AFF was announced by the Government of Canada as part of Budget 2009 and was allocated \$500 million in funding over five years: \$190 million over two years from Budget 2009, with the balance to be funded from existing Agriculture and Agri-Food Canada (AAFC) resources. Budget 2009 stated that the AFF would “help the sector adapt to pressures and improve its competitiveness by funding non-business risk-management measures such as those that will reduce costs of production, improve environmental sustainability, promote innovation and respond to market challenges. “

AFF is a complex program with multiple initiatives managed and delivered by several AAFC Branches: the Strategic Policy Branch (SPB) is responsible for negotiating agreements with provinces and territories; the Farm Financial Programs Branch (FFPB) has responsibility for federal-only, industry-led initiatives including the Agri-Processing Initiative (API); and the Market and Industry Services Branch (MISB) is leading the Canada Brand Advocacy Initiative (CBAI).

The objective of the audit was to provide assurance that governance, risk management and control frameworks are adequate during the early stages of the AFF program lifecycle to provide a reasonable expectation that funds will be used for the intended purpose and that planned outcomes will be achieved.

Audit criteria were drawn from:

- Grants and Contribution Audit Criteria developed for use by Internal Audit at AAFC;
- Potential risk areas identified by the Office of the Comptroller General (OCG) and the Office of the Auditor General (OAG) for EAP programs;
- Lines of enquiry developed by the OAG for its planned audit of EAP programs in early 2010; and
- The Treasury Board Secretariat (TBS) Management Accountability Framework (MAF) and associated core controls related to governance, risk management, stewardship, and results and performance.

Most of the expected elements of the governance, risk management and control frameworks of the AFF were found to be in place and working appropriately. Roles and responsibilities were clear, a senior-level committee comprised of Directors General provided appropriate oversight, key risks were identified and controls implemented to mitigate the assessed risks, templates consistent with the approved terms and conditions were used to assess projects, and funding agreements were generally complete and consistent with program terms and conditions. The processes for collecting and

monitoring information on AFF's implementation (required so that corrective action, when necessary, can be taken) are still being developed and implemented.

A number of opportunities for improvement were identified. These included:

- Introducing a process for periodic reassessment of AFF program risks and the effectiveness of mitigation actions;
- Determining what lessons can be learned on what could be done differently the next time a complex new program must be implemented very quickly; and
- Ensuring that all recommendations for AFF funding are adequately documented, including evidence that all required technical reviews have been undertaken and that any concerns arising during the technical review process have been considered.

## 1.0 INTRODUCTION

### 1.1 BACKGROUND

The Government of Canada announced the Agricultural Flexibility Fund (AFF) as part of Canada's Economic Action Plan (EAP) in Budget 2009. \$500 million was to be made available to the agriculture, agri-food and agri-based products sector (\$190 million in new funding and \$310 million reallocated from other initiatives) over the period 2009-10 to 2013-14. The funding is to be used to support initiatives in three key priority areas:

- Investments to help reduce production costs or improve environmental sustainability for the sector;
- Investments in value-chain innovation or sectoral adaptation; and
- Investments to address emerging opportunities and challenges for this sector.

These initiatives will directly support the strategic outcomes of Agriculture and Agri-Food Canada (AAFC):

- An environmentally sustainable agriculture, agri-food and agri-based products sector;
- A competitive agriculture, agri-food and agri-based products sector that proactively manages risk; and
- An innovative agriculture, agri-food and agri-based products sector.

AFF has several major components, each of which is delivered somewhat differently:

- **Federal only initiatives**
  - **Industry-Led Initiatives (ILI).** Contributions administered primarily by the Adaptation Division within Farm Financial Programs Branch (FFPB). Another Division within FFPB, the Biofuels and Opportunities Division, is responsible for administering the Agri-Processing Initiative (API)
  - **Canada Brand Advocacy Initiative (CBAI).** The Market and Industry Services Branch (MISB) is leading this initiative with some assistance from the Communications and Consultations Branch. Up to \$32 million is available over five years to advocate for the use of Canadian agricultural products in foreign countries. A decision has been made to focus efforts on Japan, Mexico and South Korea. Canadian beef, pork, canola, seafood and grain will be the principal products promoted.
- **Cost shared initiatives with provinces and territories (P/T cost-shared).** AAFC's Strategic Policy Branch (SPB) is responsible for the negotiations with P/Ts. A Bilateral Task Team is involved in assessing project proposals. Once an agreement is signed, the Centre of Program Excellence (COPE) within FFPB is responsible for administering it.

FFPB has overall responsibility for administering the internal governance structure and for coordinating uniform evaluation of proposals, oversight, reporting, and performance measurement. Cost-shared Agri-Flexibility initiatives are managed by bilateral Management Committees as per the terms of the Agreements. The federal co-chair of each committee is normally the AAFC Regional Director for the province or territory in question.

An internal review committee of Directors General (the DG Agri-Flexibility Committee) from FFPB, MISB, SPB, Corporate Management Branch (CMB) and Agri-Environment Services Branch (AESB) is responsible for:

- Reviewing proposals for funding against the program eligibility criteria;
- Formulating recommendations on the approval/rejection of proposals;
- Overseeing the internal governance structure;
- Ensuring that roles and responsibilities relating to the administration of contribution agreements and federal program delivery are clearly assigned within AAFC;
- Overseeing the financial management of the fund; and
- Coordinating performance measurement and reporting.

Recommendations from the DG Agri-Flexibility Committee are sent for approval to the Policy, Programs and Results Board (PPRB) or the Horizontal Management Board (HMB). Under normal circumstances recommendations would be forwarded to PPRB but since it only meets every other week, HMB, which has the same membership but a different chair, is also used so as not to cause any delays in the approval process.

Recommendations for approval are forwarded to the Deputy Minister who then transmits them to the Minister for approval. Any initiatives valued over \$20 million require Treasury Board (TB) approval. TB approval was obtained for the API and the CBAI as part of the original approval given that they are both over \$20 million.

As part of the approval process, AAFC made a commitment to conduct a "Program under Development Audit" early on to test the adequacy of the controls to deliver the AFF programming. The audit was originally scheduled to be conducted in 2010-11, in accordance with the 2009-12 Risk-Based Audit Plan. It was advanced, with the concurrence of the Audit Committee, to 2009-10 in light of the Auditor General's interest in Economic Action Plan initiatives.

## **1.2 AUDIT OBJECTIVE**

The objective of the audit was to provide assurance that governance, risk management and control frameworks are adequate during the early stages of the AFF program lifecycle to provide a reasonable expectation that funds will be used for the intended purpose and that planned outcomes will be achieved.

### **1.3 AUDIT SCOPE**

The audit considered those initiatives for which the program design had been approved as of February 15, 2010 (i.e. ILI, API, P/T cost-shared and CBAI). Any project applications submitted to AAFC up to February 18, 2010, were considered for inclusion in the audit sample.

### **1.4 AUDIT APPROACH**

Audit evidence was collected through interviews, document reviews and a review of a sample of program files. Standard interview guides were used to obtain input from program management and staff on the practices used to manage the program. Key documents reviewed included program approvals, the AFF Performance Measurement Strategy, initiative-specific application guides on the AAFC website, applications for funding, internal assessments and recommendations associated with the proposal, project approval documents, draft or signed funding agreements, DG Agri-Flexibility Committee, PPRB and HMB agendas and records of decision, and program financial reports. A random sample of 35 applications for project funding under the ILI, API and P/T cost-shared was selected. (See Annex A for details on the sample.) Standard checklists aligned with the audit criteria were used to assess the extent of compliance for each project selected.

Planning for the audit was undertaken during the period between January and February 2010. Audit fieldwork was conducted between March and April 2010.

Audit criteria were drawn from:

- Grants and Contribution Audit Criteria developed for use by Internal Audit at AAFC;
- Potential risk areas identified by the Office of the Comptroller General (OCG) and the Office of the Auditor General (OAG) for EAP programs;
- Lines of enquiry developed by the OAG for its planned audit of EAP programs in early 2010; and
- The Treasury Board Secretariat (TBS) Management Accountability Framework (MAF) and associated core controls related to governance, risk management, stewardship, and results and performance.

The criteria served as the basis for developing the audit approach and detailed audit program for the conduct phase. Annex B details the audit criteria and sub-criteria employed by audit objective.



## 1.5 CONCLUSION

It is the opinion of AAFC's Internal Audit Directorate (IAD) that:

- An appropriate governance structure has been implemented for AFF which supports the consistent application of the approved program terms and conditions and other relevant policy requirements.
- Many elements of the expected risk management framework are in place. Risk management could be strengthened, however, by introducing and documenting the results of a process to periodically reassess the risks to the program and the effectiveness of any mitigation activities.
- Many elements of the expected control framework have been implemented. There are a number of opportunities for improvement, however, including:
  - Determining what lessons can be learned on what could be done differently the next time a complex new program must be implemented very quickly
  - Ensuring that all recommendations for AFF funding are adequately documented, including evidence that all required technical reviews have been undertaken and that any concerns arising during the technical review process have been considered.

## 1.6 STATEMENT OF ASSURANCE

In the professional judgment of the Chief Audit Executive, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the opinion provided and contained in this report.

The opinion is based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria that were agreed on with management. The opinion is applicable only to the entity examined. The evidence was gathered in compliance with TB policy, directives and standards on internal audit, and the procedures used meet the professional standards of the Institute of Internal Auditors.

Original signed by:

\_\_\_\_\_  
Chief Audit and Evaluation Executive

\_\_\_\_\_  
Date

## 2.0 DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

This section presents the key observations, based on the evidence and analysis associated with the audit, and provides recommendations for improvement.

Management responses are included and provide:

- an action plan to address each recommendation;
- a lead responsible for implementation of the action plan; and
- a target date for completion of the implementation of the action plan.

### 2.1 GOVERNANCE

***An appropriate governance structure has been implemented for AFF. It supports the consistent application of approved terms and conditions and other relevant policy requirements.***

Governance is one of the 10 key elements of the TBS MAF. The governance-related objectives associated with a program are enabled by the collective suite of management processes and controls which are in place to set strategic direction, operational plans, objectives and priorities and to provide clear direction on how resources should be allocated to achieve these plans. The presence of an oversight body is important to ensure that management's direction, plans and actions are appropriate and responsible.

Key roles and responsibilities for AFF were described in the approval documents for the Fund and in a description of the management framework prepared in July 2009. FFPB was designated with responsibility for administering the internal governance structure to ensure uniform application of program objectives, principles and selection criteria and due diligence in selecting initiatives; to perform oversight and administration of funding levels; and to coordinate reporting and performance measurement.

Standard templates consistent with the approved terms and conditions for use by staff responsible for processing funding were in place by the end of March 2010. Due Diligence Guidelines were available for API and were in the final stages of development for ILI.

Oversight for the AFF is provided at four levels:

- Internal divisional/directorate processes (Manager, Director, Director General)
- DG Agri-Flexibility Committee
- Policy, Programs and Results Board/Horizontal Management Board and
- Minister.

The DG Agri-Flexibility Committee is the primary body providing oversight to the AFF. It is comprised of Directors General from FFPB, CMB, MISB, AESB and SPB and meets at least weekly. The Committee is responsible for commenting on the merits of project proposals, their relevance in supporting Departmental goals, and whether they are consistent with specified government/industry priorities. The Committee is responsible for developing a consensus recommendation to be carried to Assistant Deputy Ministers through the PPRB or HMB Committee.

The Internal Audit Directorate is of the opinion that the clear allocation of responsibilities and the widespread use of standard templates by program staff is appropriate and supports the consistent application of approved terms and conditions and other relevant policy requirements.

## 2.2 RISK MANAGEMENT

***Many elements of the expected risk management framework were found to be in place for AFF. Risk management could be strengthened, however, by introducing, and documenting the results of, a process to periodically reassess the risks to the program and the effectiveness of mitigation activities.***

Risk management is one of the 10 key elements of the TBS MAF. In an environment with well-designed controls, management and staff have a solid and up-to-date understanding of the internal and external factors that may expose their strategic and operational objectives to risk. Formal and institutionalized practices are in place to permit the monitoring of the environment for conditions, or changes to conditions, that may result in risk or opportunity. Processes are also in place to permit the assessment of and response to residual risk exposure.

Many elements of the expected risk management framework were found to be in place for AFF:

- A formal risk assessment was conducted as part of the Performance Measurement Strategy (PMS) to identify key risks that could impact on the success of AFF. Five key risks and associated mitigation actions were identified;
- Specific risk assessments were prepared for API and CBAI;
- Controls to mitigate the assessed risks were implemented;
- Risk was explicitly taken into account when recommendations on funding specific initiatives/proposals were formulated; and
- Recipient risk assessments were completed for ILI and API projects using AAFC's non Business Risk Management (BRM) recipient risk management framework for contribution programs. The information from the risk assessment was used to align funding agreements with recipient and initiative risk.

As it was understood at the outset that minor changes might be required to AFF, it would have been prudent to establish a requirement for periodically reassessing program risk to determine if new risks had emerged or if the mitigation strategies needed to be adjusted.

Such a process would also have been consistent with good practice for risk management. IAD is not aware of any formal mechanism that has been implemented for periodically reassessing the risks associated with AFF. It does understand, however, that amendments to AFF's terms and conditions to address implementation challenges were sought from and approved by Treasury Board.

Program management was focused in 2009-10 on establishing the required AFF program elements, assessing proposals for funding, and putting in place funding agreements with recipients so that approved projects could move forward on a timely basis. By not having in place a process to periodically review the risk assessment, however, mitigation efforts may not be adjusted in a timely manner and new or modified risks may not be identified and appropriate mitigation action initiated, thereby increasing the possibility that the initiative may not achieve its intended purposes.

**Recommendation 1:**

The Assistant Deputy Minister, Farm Financial Programs Branch should ensure that a process for periodically reassessing AFF program risks and the effectiveness of mitigation actions is established.

Management Response: Agreed

During this first year Program Management has been focussing on implementing the program and its governance. Program Management acknowledges that program risks should be reviewed periodically.

Action Plan:

Starting in the Spring of 2011, Program Management will reassess AFF program risks on a yearly basis. The various program risks will be reviewed by a cross-section of employees and senior management. The purpose of the reassessment will be to determine if the level of risk has changed, if there are new risks that should be mitigated and monitored, and to determine the effectiveness of current mitigation strategies. The results of the annual program risk review will be documented.

Lead Responsible: DG, Agriculture Transformation Programs Directorate

Target Date for Completion: March 2011

## 2.3 CONTROL FRAMEWORK

### 2.3.1 2009-10 EAP Payments

***A number of factors likely contributed to almost 90 percent of the funds available for AFF in 2009-10 not being spent.***

As noted in Budget 2009, EAP initiatives were expected to have programs up and running quickly. Of the \$500 million allocated to AFF over five years, \$190 million was budgeted for expenditure during the first two years of the program, \$65 million in fiscal year 2009-10 and \$125 million in fiscal year 2010-11<sup>1</sup>.

A number of factors (noted below) likely contributed to almost 90 percent of the funds available for 2009-10 (\$57.7 million of the \$65 million) not being spent – thereby potentially diminishing the immediate impact the program could have on the agriculture sector. However, a portion of the unspent funding is expected to be carried forward into later years.

Expenditure of AFF funds as profiled was likely hindered by the considerable work (e.g. design, consultation) required in the initial stages of AFF to establish an appropriate control framework so that potential applicants would be clear on the requirements for funding and to ensure due diligence in assessing proposals.

AFF proposals are often complex requiring consultation with experts across the department and discussions with the proponent. Ensuring that a project did not overlap, duplicate, or displace other programs (which was required by the terms and conditions for AFF), took time and required consultation across the Department and with regions. In-depth analysis was required before a funding decision could be reached and funding agreements were subject to negotiation. For the ILI, although efforts were made to compress the approval timelines, due diligence activities and negotiations in assessing potential projects and developing agreements generally took several months at the outset before a recommendation could be formulated.

Funding of federal-provincial cost-shared initiatives was low during the first year of the AFF. The January 2009 budget announcement of AFF did not align with P/T's financial planning cycles for the 2010-2011 year and AFF was launched at a time of increasing fiscal restraint for some P/Ts, constraining their ability to participate in cost-share initiatives. Additionally, P/Ts had just launched or were in the process of launching new GF programming and many were not able to direct resources immediately to designing and negotiating AFF initiatives.

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<sup>1</sup> These amounts encompass the total funding allocated including costs related to employee benefit plans and accommodation charges

Given the context and challenges noted above, there are likely lessons to be learned from the design and implementation of AFF that can be applied by AAFC to new programs in the future.

### **Recommendation 2:**

The Assistant Deputy Minister, Farm Financial Programs Branch should lead a departmental lessons learned exercise to identify what could be done differently the next time a complex new program must be implemented very quickly.

Management Response: Agreed

FFPB will ensure that best practices and lessons learned will be provided to other program administrations in order to help them design and implement programs in as timely and effectively a manner as possible.

Action Plan:

FFPB has already identified a number of lessons learned from implementing AFF. The Branch will document these lessons learned in consultation with the departmental players involved in the program design and the implementation. Once completed, the document capturing the lessons learned will be shared with all departmental branches.

Lead Responsible: DG, Agriculture Transformation Programs Directorate

Target Date for Completion: March 2011

### *2.3.2 Project/Initiative Selection*

***While the selection initiation process followed for ILI and API projects was generally well done, there were a few issues identified in ILI and P/T projects sampled with respect to ensuring complete documentation was maintained on file to support funding recommendations.***

The objective of the TBS *Policy on Transfer Payments* is to ensure that transfer payment programs are managed with integrity, transparency and accountability in a manner that is sensitive to risks; are citizen and recipient focused; and are designed and delivered to address government priorities in achieving results for Canadians.

In the context of these policy requirements, it was expected that:

- funding recommendations would be fair, transparent, bias-free, and based on program terms and conditions; and
- clear and well-defined eligibility criteria would be consistently applied while respecting authorities and key controls.

## ***ILI***

According to the program terms and conditions' stacking provisions, the normal maximum government assistance is 85 percent, although exceeding this is permissible if the public benefits outweigh the private benefits. In two of the five approved ILI projects examined, the funding exceeded the 85 percent, however, there was no documentation on file indicating how the public benefits exceeded the private benefits. In another of the five approved ILI projects examined, not all of the expected assessment documentation was on file

## ***P/T***

In accordance with the *Policy on Transfer Payments* principle that requirements should be commensurate with risk, and in recognition of the lower level of inherent risk associated with P/T undertakings, the processes followed for P/T proposals were not as formally structured as those for ILI. Nonetheless, sufficient documentation is still expected to be on file to demonstrate due diligence, transparency and fairness in the development of recommendations.

Specifically, for two of the five projects in the audit sample that were recommended for funding, significant questions had been raised during review. There was no evidence on the file that these questions had been resolved, yet the recommendation that moved forward stated "initiatives have been assessed favourably by AAFC" or "proposals have been positively reviewed by area experts within AAFC". For a third project approved for funding, IAD was informed by program management that there were informal consultations with technical experts, but these consultations were not documented on file.

### **Recommendation 3:**

The Assistant Deputy Minister, Strategic Policy Branch, and the Assistant Deputy Minister, Farm Financial Programs Branch, should ensure that all recommendations for AFF funding are adequately documented, including evidence that all required technical reviews have been undertaken and that any concerns arising during the technical review process have been considered.

Management Response: Agreed

Program Management agrees that proper evidence should be included in files in order to support funding decisions.

Action Plan:

The responsibility for the P/T initiatives has been transferred to the ADM, FFPB. Management will ensure that recommendations are adequately documented.

An information section will be added to the Project Approval Form in order to provide justification for funding decisions where the recipient contribution is less than 15%. This

section will include information on the public and private benefits that are expected from the proposal.

Lead Responsible: ADM, Farm Financial Programs Branch

Target Date for Completion: January 2011



## Annex A Audit Criteria

Audit Criteria	Audit Sub-Criteria
<b>Governance framework is adequate during the early stages of the program lifecycle to provide reasonable expectation that funds will be used for the intended purpose and that planned outcomes will be achieved.</b>	
Policies, procedures, service standards, and roles and responsibilities are developed and communicated to ensure the program is applied consistently within approved terms and conditions and other relevant policy requirements.	Clear roles and responsibilities (including delegated authorities that are appropriate in terms of segregation of duties, competencies, capacities and risk) that are consistent with departmental practices are communicated formally to all program staff.
Effective oversight bodies are established.	Members collectively possess sufficient knowledge, experience and time to exercise a meaningful oversight function.
The oversight body (or bodies) has a clearly communicated mandate that includes roles with respect to governance, risk management and control.	The oversight bodies meet regularly (i.e., 4 times per year at a minimum) and receive key information to allow for effective monitoring of management's objectives, strategies and results.  A documented mandate (in the form of a charter or other documentation) exists and clearly communicates the oversight body's / bodies': <ul style="list-style-type: none"> <li>• Purpose</li> <li>• Composition</li> <li>• frequency of meetings and core agenda items</li> <li>• roles and responsibilities including their roles related to:                         <ul style="list-style-type: none"> <li>○ management and financial reporting</li> <li>○ compliance with laws and regulations</li> <li>○ oversight of the risk management and internal control frameworks</li> <li>○ authority</li> </ul> </li> </ul>
	The mandate has been formally communicated to relevant internal and external stakeholders.

<b>Risk management framework is adequate during the early stages of the program lifecycle to provide reasonable expectation that funds will be used for the intended purpose and that planned outcomes will be achieved.</b>	
Risks to the achievement of program objectives are identified, assessed and mitigated.	A formal assessment is conducted to identify risks that could adversely impact the achievement of program objectives.
	Risk mitigation strategies are developed that propose appropriate management control practices (e.g. program audit, recipient audits, reporting and active monitoring requirements.)
Funding agreements are aligned with recipient and initiative risk.	Funding agreement reporting requirements are consistent with the expectations of the program's terms and conditions and with the risks associated with the recipient and the initiative.
Appropriate control frameworks to mitigate the assessed risks while allowing timely delivery of EAP programs to eligible recipients have been designed and implemented.	Based on their risk assessment, federal entities have designed or modified control frameworks for each EAP program to mitigate all significant risks.
	Given the requirement for speed, departments have set out clear risk tolerances.
	The control framework is aligned with clear and well-defined program eligibility and selection criteria and program objectives.
Necessary controls are in place for the EAP to adequately mitigate the assessed risks including compliance with federal environmental assessment requirements.	Eligibility and selection criteria are aligned with program objectives.
	New EAP programs were subject to a Strategic Environmental Assessment (SEA).
	The design of control frameworks complies with federal environmental assessment requirements.

<p>Management identifies the risks that may preclude the achievement of its objectives.</p>	<p>The risk identification process is rigorous and considers both internal and external sources of risk, including but not limited to the following factors:</p> <ul style="list-style-type: none"> <li>• supply sources;</li> <li>• technology changes;</li> <li>• business process change or organizational restructuring;</li> <li>• economic conditions;</li> <li>• political conditions;</li> <li>• regulation;</li> <li>• natural events;</li> <li>• human resource changes and capacity; and</li> <li>• dependencies and inter-relationships with other federal entities and parties outside of government.</li> </ul>
<p>Management formally responds to its risks.</p>	<p>A formal response (e.g., avoid, mitigate or accept) to the risk is documented and communicated to all necessary parties.</p>
	<p>Action plans are put in place to manage or treat risks that are deemed by management to be unacceptable. Action plans include:</p> <ul style="list-style-type: none"> <li>• specific mitigation measures;</li> <li>• the timeline during which the measures will be applied; and</li> <li>• the owner of each action.</li> </ul>
<p><b>Control framework is adequate during the early stages of the program lifecycle to provide reasonable expectation that funds will be used for the intended purpose and that planned outcomes will be achieved.</b></p>	
<p>EAP funds delivered to eligible recipients in a timely manner.</p>	<p>Payments to recipients are made in a timely manner to meet the objectives of the EAP.</p>
	<p>Administrative bottlenecks are not delaying the provision of federal stimulus programs.</p>
<p><b><i>Project/Initiative Selection</i></b></p>	
<p>Funding decisions are fair, transparent, free of bias, and based on program terms and conditions.</p>	<p>The amount of funding provided is either based on an assessment of proposed activities against established criteria or based on an established funding formula and is at the minimum level required to attain the objectives of the program and the results expected from the recipient, taking into account other sources of funding available to the recipient.</p>

	<p>The recipient's accountability and management capacity, past performance in meeting commitments and objectives, and overall risk level are considered in determining the funding priority, amount, and support administered.</p>
	<p>Conflict of Interest Policies are understood by AAFC staff. Appropriate procedures to report possible breaches of independence by colleagues (or favouritism) are understood by AAFC staff and followed.</p>
	<p>Rationale for awarding a contribution/grant amount is justifiable through supporting documentation.</p>
	<p>All applications received, considered and evaluated are tracked in a database.</p>
<p>Clear and well-defined eligibility and selection criteria were consistently applied while respecting authorities and key controls.</p>	<p>Eligibility criteria were clear and designed to reduce the potential for confusion over which expenditures qualify for EAP funding.</p>
	<p>The eligibility criteria used to make funding decisions were specific to and in accordance with the objectives of selected EAP programs set out in TB decisions.</p>
	<p>Proposals were screened and presented for approval using authorities, key controls and eligibility criteria.</p>
	<p>All approved projects meet eligibility criteria. If not, the reasons were documented.</p>
	<p>Federal entities are expediting the project approval/selection process</p>
<p>Agreements are meaningful, complete, and consistent with program terms and conditions and Departmental templates and are reflective of overall FAA and TBS requirements and authorities.</p>	<p>The agreement is developed using Department approved templates and includes clear requirements in terms of program standards, accountability, and reporting. Any alternations made to funding agreement templates are reviewed and approved to ensure alignment with TBS approved program and funding terms and conditions and PTP requirements.</p>
	<p>Deviations from approved funding agreement templates are justified, approved and tracked.</p>
	<p>Expected statements of requirements, measurable outcomes and results, against which monitoring can be applied, are explicit in the agreement, clear, and derived from the TBS approved program terms and conditions.</p>

	For programs that involve third party delivery, agreements include provisions for expected internal controls, recipient audit, and conflict of interest.
<b>Resources/Capacity</b>	
Appropriate resource levels are provided and resources have the necessary capabilities.	A resourcing plan is developed and implemented to respect the level of resources (e.g. full time equivalents, operations) made available while ensuring required competency in applying program authorities and other relevant policy requirements.
	Program officers are trained in program procedures to ensure consistency in applying program authorities and other relevant policy requirements.
IM/IT systems and other types of supporting tools are leveraged appropriately to ensure consistent, efficient and effective processes and procedures.	An appropriate analysis is conducted to determine how the program can leverage IM/IT systems to ensure efficient and effective processes. Controls are automated to the extent possible.
<b>Financial Management / Results</b>	
Appropriate and timely financial and non-financial reporting is communicated internally and externally.	A schedule of regular reporting is prepared and communicated in advance.
	Responsibility for reporting is clear and communicated and is applied accordingly.
	Complete, accurate, relevant and timely financial and non-financial reports are submitted as required.
<b>Performance Measurement</b>	
Program activities and desired outcomes are clearly defined, measurable and attainable.	Program activities are clearly linked to program objectives and Departmental priorities (i.e. activities to outcomes) and specify appropriate expected results (i.e. immediate, intermediate and final outcomes).
	Key reporting requirements are established to set minimum baseline data/reporting standards to ensure that adequate performance and financial information and outcomes are provided.
	Clear performance measures, result indicators and targets, roles and responsibilities are developed in consultation with stakeholders.

<p>Adequate processes are in place to monitor and collect timely, accurate and complete information on progress towards EAP implementation and to take corrective action when necessary.</p>	<p>Processes are established to collect the information needed to review and monitor progress reported by EAP recipients delivering select EAP programs.</p>
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