Audit and Evaluation of Class Contributions in Support of Environmental & Sustainable Development Projects

November 2001

Audit and Evaluation Branch

Environment Canada Environnement Canada

Canada

Report Clearance Steps

Planning phase completed	May 2001
Implementation phase completed	August 2001
Report completed	November 2001
Report approved by Departmental Audit and Evaluation Committee (DAEC)	March 6, 2002

Acronyms used in the report

DAEC	Departmental Audit and Evaluation Committee
DFO	Department of Fisheries and Oceans Canada
EC	Environment Canada
ESDP	Environmental and Sustainable Development Projects
FAA	Financial Administration Act
G&Cs	Grants and Contributions
GBEI	Georgia Basin Ecosystem Initiative
HSP	Habitat Stewardship Program
HQ	Headquarters
NAWMP	North American Waterfowl Management Plan
NOGs	Non-governmental Organizations
OAG	Office of the Auditor General
OGD	Other Government Department
OIC	Orders in Council
P&Y	Pacific and Yukon
RBAFs	Risk-Based Audit Frameworks
RMAFs	Results-Based Management and Accountability Frameworks
TB	Treasury Board
ZIP	Zone d'intervention prioritaire

Acknowledgments

The Audit and Evaluation Branch team of Lesley Wharton and Angus O'Leary would like to gratefully acknowledge the time that financial and program staff and managers in all regional offices and at headquarters as well as managers in both Fisheries and Oceans Canada and Parks Canada took to provide comments, documents and information essential to both the audit and the evaluation of this class of contributions.

Table of Contents

Executive Summary

EC manages a portfolio of Grants and Contributions (G&Cs) through a series of five classes and a number of issue specific contributions for a total G&C budget of $64,622,714 for the 2000 - 2001 fiscal year. This audit and evaluation covers contributions made under one of the classes - Contributions to Support Environment and Sustainable Development Projects during the 2000-2001 fiscal year. The objective of this class is to provide funds to non-governmental organizations, businesses, provincial governments and other public agencies to enable them to conduct environmental and sustainable development projects at the regional or ecosystem level.

The audit and evaluation covered a sample of contribution agreements across a range of programs and initiatives within this class and all those examined were directed contributions with selected recipients as opposed to unsolicited proposals. They varied from those within programs that have been underway for some years and therefore have established processes and experience, to new initiatives like the Habitat Stewardship Program that had been in existence for less than a year when this audit took place and that were still developing and evolving both their focus and their management processes.

From an audit perspective, while we did find some general weakness in areas such as monitoring, consideration of recipient audit, official languages and some specific instances where responsibilities under section 34 of the Financial Administration Act were not appropriately discharged. However there was generally a good level of awareness among program and financial mangers regarding the requirements associated with transfer payments and reasonable oversight provided for most of the processes associated with managing the agreements. Overall, there was an acceptable level of compliance with most of the policy and legislative requirements covering contribution agreements.

From the perspective of evaluation, we are satisfied that there is sufficient evidence to show that all of the objectives of this class of contributions are being met, to varying degrees. In many cases, managers from Environment Canada actively encouraged participation from a wide variety of community groups and community associations through the managers involvement with the community.

Departmental managers from across the country agreed that contribution agreements are one of the most effective means the department has by which to respond to specific environmental needs and emerging issues at the regional or ecosystem level.

Recommendations follow.

Recommendations

The collective findings and observations of the audit and evaluation revealed weaknesses in two general areas, management of risk and managing for results. With this in mind and in keeping with the Treasury Board Secretariats new policies on Internal Audit, Transfer Payments and Evaluation, the key recommendations for program managers appear below with some additional technical recommendations to follow.

AREA 1 - EFFECTIVE PROGRAM MANAGEMENT

There are two key elements of modern management from which the programs within this class, in keeping with Environment Canada's own commitment to results-based management, would benefit.

Recommendation #1 - The department spends a significant amount of resources through third party delivery mechanisms. One of the key weaknesses observed in the management of this class of contributions is in the area of risk management. Consistent with new Treasury Board policies on Internal Audit and Transfer Payments we recommend that individual programs within this class of contributions ***develop and implement Risk-Based Audit Frameworks (RBAFs)*** consistent with the template provided. These RBAFs should:

- contain sufficiently detailed risk-based criteria for monitoring and audit of contributions
- apply to all contribution agreements as a method of determining, the situations in which more in-depth monitoring of projects should take place and the appropriateness of conducting an audit.

We also recommend that a reference/web link be provided in the Departmental Manager's guide to the Treasury Board Guide on the preparation of RBAFs (as soon as it becomes available).

***Recommendation # 2* -** Following from the first recommendation and consistent with the new Treasury Board policies on Evaluation and Transfer Payments, Program Managers should develop for their programs, or for the portions of their programs which consist of transfer payments, Results-Based Management and Accountability Frameworks (RMAFs) consistent with the template provided. These RMAFs should include:

- **a sound governance structure** which describes clear roles and responsibilities for the main partners involved in delivering the policy, program or initiative;
- **a results-based logic model** illustrating the results chain or how the activities are expected to lead to the achievement of the ultimate outcome;
- **a sound performance measurement strategy,** including the identification of indicators for the outputs and the outcomes in the logic model, and a measurement strategy describing how these indicators will be collected, how often and at what cost;
- **a description of any evaluation work** that is expected to be done over the lifecycle of a program, policy or initiative, including the identification of evaluation issues and questions, data requirements and data collection strategy; and
- **a plan and methodology to ensure systemic reporting** on the results of ongoing performance measurement as well as evaluation.

The RBAF and the RMAF should be looked at as two sides of the same coin. The RMAF sets out the broad objectives the programs are intended to achieve, how it plans to achieve them and how it plans to measure and report on performance. The RBAF then provides program managers with a tool for assessing and managing the risks associated with the implementation of their programs, or the portions thereof which deal with G&C.

AREA 2 - IMPROVING THE PROCESS

While managers generally seem to be aware of most of their responsibilities pursuant to transfer payments, there are some technical areas that present some weaknesses and we would therefore offer the following recommendations:

Recommendation # 3 Official Languages - Guidance along the lines of the clause on official languages that is included in the recently prepared HSP Managers Guide, should be included in the Departmental Managers Guide to specifically address responsibilities under the Official Languages Act and Policy. Also, more specific guidance on responsibilities under these areas should be included in any training given on the management of contributions.

Recommendation # 4 Orders-in-Council - That the departmental champion for Grants and Contributions, on behalf of program managers, seek additional guidance from Legal Services as to the obligations regarding Orders in Council pursuant to contributions to Provincial governments and provincial crown agencies and that approvals forms subsequently reflect any requirements flowing from that guidance.

Recommendation # 5 Training and Guidance - Training and guidance for managers should:

- ensure that program managers are aware they can withhold up to 10% of the total value of the contribution until such time as they have received the final report from the recipient.
- While the distinction between a contribution agreement and contract is clearly explained in the Managers Guide, training should ensure that all managers are aware of the two options available to them and have a clear idea of when each should be used.
- place increased emphasis on managers accountability including their responsibilities to monitor agreements and confirm that the conditions of contributions are being met.

Recommendation # 6 Follow-up and monitoring - Managers should provide a more systematic analysis and report at the conclusion of each contribution agreement including through analysis of the project reports (interim and final) to ensure a greater level of assurance of value for money.

ADDITIONAL SUGGESTIONS

- Responsible program managers should be careful to ensure formal recognition of the role of the department and the program in bringing about environmental results.
- Where universities have been used as recipients, some managers have been more successful than others in negotiating better value for money by limiting the amount they will pay in overhead costs. All program managers should try to negotiate the lowest possible overhead charge so as to ensure better value for money.

- Because the absence of a competitive process makes it difficult to assess value for money we suggest that consideration be given to investigating means by which to ensure that value for money is being achieved (this could include such things tighter definitions of appropriate criteria for proposals to include, a more pro-active approach to the solicitation of proposals, etc).

1. Introduction

Environment Canada (EC), manages a portfolio of Grants and Contributions (G&Cs) through a series of five classes and a number of issue specific contributions for a total G&C budget of $64,622,714 in 2000-2001. In accordance with the Treasury Board Policy on Transfer Payments which came into effect on June 1, 2000, the Audit and Evaluation Branch has an overall plan for auditing the various Grants and Contributions that it administers.

The 2001-2002 annual plan for the Audit and Evaluation Branch approved by the Departmental Audit and Evaluation Committee (DAEC), contain a commitment to carry out an audit of the *Contributions to Support Environment and Sustainable Development Projects (ESDP)*, class covering those contributions made during the 2000-2001 fiscal year.

This report provides a description of the findings and recommendations related to this class of transfer payments as well as descriptions of the audit scope, objectives and methodology. In addition to the audit, an evaluation of the class of transfer payments was also conducted using essentially the same sample base. The intent of the evaluation was to assess the effectiveness of the contributions relative to the objectives of the programs and of the class of contributions.

1.1 Class Description

The objective of the *ESDP* contribution class is to provide funds to non-governmental organizations, businesses, provincial governments and other public agencies to enable them to conduct environmental and sustainable development projects at the regional or ecosystem level.

The related purpose of the *ESDP* class are to:

- enable Canadian groups, associations and organisations to plan, manage and complete projects and initiatives aimed at protection, conserving, enhancing and restoring habitats, sites and ecosystems;
- encourage Canadians and Canadian organizations to become actively and concretely involved in environmental and sustainable development projects and initiatives that will result in tangible, measurable environmental benefits;
- enable Environment Canada to respond to specific needs and emerging issues at the regional or ecosystem level;
- lever non-federal government, voluntary in-kind and financial support for environmental and sustainable development projects (domestic or international); and
- allow Environment Canada to maintain a departmental or federal presence and support departmental or federal participation in environmental initiatives, programs and activities.

For the 2000-2001 fiscal year, the expenditures for the ESDP class of contributions (authority code 303) were $17,656,375.00 and encompassed the following programs: The Sydney Tar Ponds (327); The Georgia Basin Ecosystem Initiative(GBEI) (329); Contributions to Community Interaction Program (Quebec)(337); the *Stratégies Saint-Laurent (*335); Contribution to the province of Quebec for joint projects (336); Habitat Stewardship Program (HSP) (382), North American Waterfowl Management Program (NAWMP) including the Pacific Wildlife Joint Venture (385). A brief description of these programs may be found in

Appendix A. Two further groupings of contributions may be found in this class, Contributions to the province of BC and Non-government Organizations (373); as well as other diverse projects which fall within this “class” (303). The contribution to the clean-up of the Sydney Tar Ponds which was part of the ESDP was identified for potential inclusion in the evaluation but was screened out as a full evaluation of the clean up of the Sydney Tar Ponds will begin in January of 2002.

While the objective of this class, as described above, covers all the contributions within the class, the agreements themselves function in several different ways. They contribute to either a distinct set of goals and objectives as found in particular programs such as the HSP or more broadly to the goals of the class itself when not linked to a given program. Some are multi-year agreements with historic recipients where one region or service within the department is responsible for management such as those under the Sydney Tar Ponds, NAWMP, and the three contributions that support different aspects of the St. Lawrence Vision 2000 Action Plan. Equally, this class contains the HSP which is a three department initiative involving Environment Canada, Fisheries and Oceans and Parks Canada. The HSP contains a mix of both single as well as a few multi-year agreements with a potentially flexible set of recipients. While all three departments establish the priorities for the program and all are involved in the definition of projects and the selection of recipients, EC manages the funding for the program on behalf of the others and within EC the HSP is the responsibility of one service. Still other programs like the Georgia Basin Ecosystem Initiative (GBEI) cover contribution agreements, some single and some multi-year, initiated by several of the departments services with a range of organizations.

2. Audit Description

2.1 Scope and Objectives

This audit covers a sample of 41 contribution agreements undertaken during FY 2000-2001 under programs or initiatives in this contribution class.

The objective of this audit was to determine whether there were sufficient management controls exercised over contribution agreements across the range of programs and initiatives that make up this class of contributions. The audits purpose was also to assess whether there was compliance with Treasury Board policies, applicable sections of the Financial Administration Act and whether or not the Official Languages Act was respected. More specifically we wished to determine:

- whether there were clear policies or statements of intent for funding for each program.

- The process associated with the selection and approval of recipients and projects, including levels of accountability and compliance with legislation and requirements of the 1996 Treasury Board Policy on Transfer Payments for those agreements signed before September 2000 and with new Transfer Payment Policy for those agreements signed after September. In both cases this also includes compliance with Official Languages Act requirements.

- Whether contribution terms and conditions are established, unambiguous, and consistent across Regions where applicable and comply with the Treasury Board Policy on Transfer Payments.

- The integrity of payment procedures and consistency with requirements and agreed to levels of funding.

- The extent (frequency and depth), to which individual contributions are appropriately monitored to determine progress where appropriate and whether funding was used for the stated purpose.

3. Evaluation Description

The scope of this evaluation covered the extent to which the contributions under the class Environmental and Sustainable Development Projects have been effective relative to the class program's objectives, the continued relevance of the class programs and the efficiency of the class program.

3.1 Effectiveness

The main focus of the evaluation was on assessing the effectiveness of the class, that is the extent to which the objectives of the class have been achieved through its contributions to various programs. It is recognised that the contributions falling within this class will have more specific objectives related to their individual programs.

3.2 Relevance

The second evaluation issue was the continued relevance of the class contributions. This issue assessed whether or not the class contributions to various programs were consistent with the class objectives and with departmental and government-wide priorities. Whether or not the programs need federal support was also considered.

3.3 Efficiency

Finally, this evaluation considered the efficiency of the class contribution system. The evaluation looked to identify whether this form of contributions are the best vehicle by which to deliver on EC objectives.

The following three sections will present the findings of the audit and the evaluation. The first section will deal with findings that were joint to both enquiries. The second section will deal with findings specific to the audit and the third with those specific to the evaluation.

A description of the audit and evaluation methodology may be found in Appendix B.

4. Joint Findings

4.1 Meeting Class and Program Objectives

4.1.1 The objectives of this class of contributions are so broad as to encompass virtually all activities of the department and specify no measurable targets.

As a result, it is difficult to measure and quantify the degree to which they are being achieved. As this class encompasses differing programs we would expect to find a more explicit linkage between the programs within the class of contributions and the objectives of the class itself as to how the programs are expected to contribute to the class objectives in more measurable and quantifiable ways.

To explore this linkage, we looked at whether or not the projects undertaken through the contributions fit within the terms and conditions of the class and where relevant, the particular program under which they were coded.

We found that all projects fell within the broad goals of the class. Some of the programs within this class contain more specific objectives and in this context, the rationale for selecting projects varied from visible and clearly linked to program goals to those where the linkage appeared weaker. For example, for programs such as the Sydney Tar Ponds, some contributions under the St. Lawrence Vision 2000 Action Plan, and NAWMP, contribution agreements cover projects or effort that are part of work plans covering the larger issue and there are clear linkages between the projects undertaken and the objectives of the program.

Other programs offer a mixed picture. The Contributions to Community Interaction Program has specific objectives for projects to meet and evidence was available on file that the projects undertaken through the contribution agreement reviewed were selected on the basis that they met the criteria. It was also apparent from both interviews and files that the recipients were aware of the goals of the program.

The HSP has a similarly clear set of objectives. However, while the contribution agreements reviewed all appeared to contribute, in the broadest sense, to these objectives there was concern among managers interviewed both within the department and in the other departments involved in the program that a more precise definition of objectives needed to be established in order to better guide the selection of projects in future years. In its second year of operation the HSP is implementing a more rigorous process for screening and selecting projects to ensure the best alignment possible with species at risk goals.

For those agreements examined that fell under the Georgia Basin Ecosystem Initiative, the linkage to the initiative's objectives was very visible in some of the files examined and somewhat weaker in others. We would have liked to see a more distinct linkage to the GBEI in the project description section of the Approvals form to describe briefly how the project contributes to the objectives of the initiative.

4.1.2 There is inconsistent monitoring and evaluation of project results.

The Transfer Payment Policy stipulates that audits must assess the adequacy of departmental processes to track whether or not recipients have complied with the requirements of contribution agreements. The Policy also notes that departments must put a risk based audit framework in place for auditing contributions and determine when an audit of a recipient may be appropriate.

In looking at the monitoring of contribution agreements across the programs and initiatives within this class we expected to find not that all agreements were uniformly monitored but that there were some established parameters or approaches present to provide guidance on monitoring. We found that ***monitoring is intrinsic to ongoing programs such as the St. Lawrence Vision 2000 Action Plan, NAWMP and Sydney Tar Ponds*** where there are regular contacts with recipients in order to both assess progress and plan the next phases of work. One example among many relates to the *Stratégies Saint-Laurent,* one of the programs under the St. Lawrence Vision 2000 Action Plan, where in addition to the regularly provided interim and year-end reports, there was evidence on file that these reports were analysed on a regular basis. The agreements under the Sydney Tar Ponds initiative also had evidence on file that showed that there is regular contact between Environment Canada and the recipients - the Province of Nova Scotia and the Cape Breton Regional Municipality for the purpose of discussing or questioning and issues of concern. This evidence was supported by information provided through interviews.

For the contribution agreements reviewed under the HSP, GBEI, Contributions to the Province of BC and NGOs and those made under the 303 class designation, a number of departmental managers (and for the HSP managers in DFO and Parks) noted that they were either in regular contact with the recipients and or undertook site visits but this was universal across all agreements and recipient contact was not documented on file. Many managers depended on the interim and final reports to provide information on achievement of project goals.

While we are confident that evidence exists to demonstrate concrete results from contribution agreements overall, we encountered several agreements in the selected sample where the end results were either not the same as the stated objectives of the agreement or, in one instance had not been carried out at all[1]. One of the standard provisions in contribution agreements calls for the submission of progress reports over the course of a project and a final report upon conclusion. While these reports are generally completed for each project, there is little evidence on file that the results of the reports have been analysed or that the facts presented have been verified. Subsequent to the conduct of this study, a check list that is part of the Departmental Managers Guide has been revised to include a section that will assist managers in docuumenting their monitoring activities.

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[1] In the instance referred to, the responsible program manager is still actively monitoring the file as the recipient remains committed to carrying out the work but has been unable to do so at the time of the writing of this report.

4.1.3 Limited guidance on Recipient audits and no instances where managers considered exercising the audit option.

Our expectations concerning audits and our findings were similar to those on monitoring. While all contribution agreements contained the appropriate clauses on audit, there is only limited guidance available to manager on when an audit of recipients would be appropriate. Also, in conducting interviews we found that when managers had concerns about the progress of a project they would discuss outstanding issues with the recipient or, in the case of the HSP where the project was initiated by one of EC's partner departments, EC managers would discuss any concerns with the OGD subject matter expert but that they did not consider undertaking an audit of the recipient.

We feel that the lack of monitoring for agreements that are not associated with defined work plans and the lack of consideration of recipient audits when concerns have arisen represents a weakness in the department's capacity to know whether or not funding has been well and appropriately spent.

Subsequent to the conduct of this study, the Managers Guide has been revised to include reference to the requirement for Risk-Based Audit Frameworks for all transfer payment programs as well as more specific reference to the managers accountability for auditing recipients. This should provide the information and the impetus to address the weaknesses found in the study.

5. Audit Findings

5.1 Clear Policies for Funding

In looking at this issue we expected to find a distinct rationale for using contributions to achieve the goals and objectives of the department. ***We were satisfied that, while very broad, the objective for this class sets out clearly the intent of enabling Canadians to conduct environmental and sustainable development projects at the regional and ecosystem level.*** The benefit of this very broad objective is that it enables programs that do not already have contributions built into their approach as a specific tool to draw upon this mechanism opportunistically when its use could advance program objectives. In addition to this broad objective, a number of programs under this class such as the Sydney Tar Ponds, Habitat Stewardship Program and the St. Lawrence Vision 2000 Action Plan have made deliberate reference to contributions as a tool or a means to achieve program goals.

5.2 Awareness of Requirements and Roles

With respect to awareness of requirements and responsibilities, **we found that through *good tools and assistance and training, departmental managers are kept sufficiently aware of the requirements associated with transfer payments.*** The tools include a Managers Guide, approvals template and model contribution agreement prepared by Director of Finance in P&Y. Further, these tools are regularly being revisited and updated as new information and issues arise and through the same office, training is provided to managers across department. Interviews suggest that financial officers have a clear understanding of their role pursuant to contribution agreements and program managers feel they have the guidance they need and generally know where they can go for assistance.

Recently, clarity on where to go for information was further enhanced when the Director of Finance for P&Y was recently named “champion” for transfer payment within the department and will act as a corporate source of information and guidance.

5.3 Treasury Board and Other Requirements

The Treasury Board’s Policy on Transfer Payments sets out clear conditions for the management of contribution agreements including requirements of the Financial Administration Act, the Official Languages Act and other relevant acts and policies. In examining the 41 contribution agreements selected from the programs and initiatives under this class we were expecting to see that management was aware of requirements associated with contributions, had effective controls and systems in place and, as a result, that contribution agreements were generally in compliance with requirements. Further, we were expecting to see that where there were additional conditions imposed by individual programs, for example governing what types of projects were eligible as found in the HSP, that those conditions were also met. Our findings pursuant to the various requirements are outlined below.

5.3.1 Recipient Eligibility

The description of this class of contributions contains a clear statement of recipient eligibility and we expected to find that all recipients met the criteria. We found that ***all recipients of contributions reviewed met the eligibility criteria and*** agreements entered into after the new TB Transfer Payment Policy came into effect ***contained approval forms with attestations of recipient eligibility.***

5.3.2 Signing Authority

The Transfer Payment Policy sets out the appropriate level of authority that may sign to enter into a contribution agreement depending on the value of the contribution. We found that the ***level of signing authority to enter into agreements was generally respected***. Exceptions were largely due to some confusion over process and requirements at outset of the Habitat Stewardship Program being set into motion.

5.3.3 Stacking of Assistance

The new Transfer Payment Policy stipulates that when a contribution is over $100,000 recipients must declare other sources of proposed funding. We found that where contributions were made, in addition to Environment Canada’s, ***the TB requirement governing “stacking of assistance” was respected*** for contributions over $100,000, as well as for many where the dollar value of the department’s contribution was significantly less.

The Transfer Payment Policy also suggests that limiting total government assistance to no more than 50% of eligible project costs should be considered for grant and contribution programs. In examining the 41 contribution agreements we expected to see that there was reasonable adherence to this objective and that most projects, in addition to federal funding, had financial and or in-kind support from sources. We found that most contributions fell within a reasonable range of this objective.

Contributions to programs such as Sydney Tar Ponds, the contributions under the St. Lawrence Vision 2000 Action Plan and NAWMP all have substantial funding provided by provincial governments and in the case of NAWMP, U.S. government funding as well. The contributions to the Community Interaction Program under the St. Lawrence Vision 2000 Action Plan specifically sets out the requirement of at least 50% in matching support. In some other instances, our contribution make up only a very limited portion of total project funding. ***In the HSP program again, likely because it was the start up year, there is considerable variability regarding the TB objective.*** In Prairie and Northern region, HSP funds were generally matched close to 50/50 with other contributions. Matching contributions or contributions exceeding Environment canada's share were also evident in Pacific and Yukon. In other regions matching contributions was more variable. And in some cases HSP funds were the only contributions provided to a project.

5.3.4 Orders in Council

Orders in Council (OIC) are required by Section 7 of the *Department of the Environment Act* for all agreement which transfer funding to Provinces or provincial crown agencies. ***We found OICs in all instances where a contribution was made to a province.*** There was one instance where a contribution was made to a provincial crown corporation, and while OICs are not always required for contributions to a crown corporation there was no evidence available that any determination had been made as to whether or not an OIC was a requirement.

5.3.5 Contribution Agreements

The Transfer Payment Policy sets out a number of basic provisions that contribution agreements must contain. ***In examining the 41 agreements we found that they generally contained the required elements.*** A few agreements did not. These were agreements developed in 1998 and 1999 before the new policy was issued and before the Departmental Manager's Guide had been issued. Most of the programs under this class use and intend to continue to use the model agreement developed in conjunction with the Departmental Managers Guide on Transfer Payments. The HSP is in the process of elaborating on this model in order to include clauses that more particularly suit the nature of their program.

There is a tendency to confuse results with deliverables. Within contribution agreements, there is a clause which states the objectives and outlines what the recipient has agreed to do with the funding from EC. What is missing from many of the agreements is a section dealing with what the expected results are that are to be achieved (i.e. both the what will be done and what is its intended impact.). Contribution agreements in Quebec region provide a good management practice by setting out both the deliverables or activities to be carried out by the recipient and the results which they hope the activities will achieve and could provide a useful example for other regions.

5.3.6 Official Languages

The Official Languages Policy must be applied to all contribution agreements where there is an intent to prepare information for or to communicate with the public. The policy specifies that; when the project is regional or local in scope, as were the projects in this class; determining the language profile required should be done in conjunction with the federal institution providing the funding. We found that of the 41 agreements looked at ***most***

contained an official languages clause. The exceptions were generally those few agreements developed before the template agreement was available to departmental managers.

Twenty projects in our sample contained some public outreach element. Materials in both official languages would not necessarily always be required for regionally specific public outreach projects, however, we were expecting to find documents on file or information from interviews that demonstrated that the issue of whether or not both official languages were appropriate had be explicitly considered as a part of the process involved in putting together any contribution agreement with a public outreach component. We found only one instances where there was evidence. In this case, the recipient identifies translation costs.

This issue was raised in all interviews in order to gage level of awareness. Responses were varied. Some managers said it had not arisen as an issue, others noted that their concerns were focused on the need to have materials available in aboriginal languages, still others suggested that language was raised and discussed in relation to certain projects but that it was not routinely considered. We feel that the approach does not sufficiently fulfil the requirements pursuant to official languages and that both more training is necessary in this regard as is better documentation that the issue has been considered specific to any contribution agreement whose purpose is to provide information to the public.

5.3.7 Financial Oversight, Verification and Payment Procedures

The Transfer Payment Policy and the FAA set out specific requirements associated with providing funding to recipients. In examining the various aspects of this area we expected to see that the requirements of both the policy and the Act were consistently applied. Different regions and programs took varying approaches to managing these requirements but with only a few exceptions that were particular to individual contribution agreements and not to the overall process management, we found that there was generally an appropriate degree of financial oversight and that the policy and FAA requirements were largely met.

More specifically, ***no total payments exceeded agreed to amounts*** except where there were amendments to the agreements on record. There were however a few instances where the maximum for an advance was exceeded. In the Habitat Stewardship Program we observed that there was considerable departure from the payment schedule set out in the agreements. However, this appeared to be because agreements often took some time to be processed, were signed late and thus were no longer well synchronised with the seasonal cycle upon which a project might be based. Multi-year agreements such as for the Strategies St. Laurent or for NAWMP were better able to stick to a predetermined payment schedule.

While interviews indicated that payment procedures were appropriate, the files themselves held variable information. ***In most cases, records indicate that payments were appropriately authorised under Section 34 of the FAA*** in line with delegated authority. The few exceptions occurred where managers were new to the contribution agreement process and still familiarising themselves with the requirements. We are satisfied that all managers are now generally aware, but encourage managers who are new to the process to become familiar with all roles and responsibilities as soon as possible.

Documentation requisitioning payment was consistently present in the files in Quebec region for programs including Community Interaction and the HSP but was more variable in other regions as was documentation that requests for payment were verified by finance, as required by section 33 (of the FAA) before pay out.

In addition to the above, however we found a few files where missing interim and final reports would seem to indicate that managers had not satisfied themselves that the conditions of the contribution were being met before authorizing payments. Through interviews we determined that managers had, in these instances, contacted the recipient and were comfortable with the stage of achievement realized but had not recorded their contact. Managers in signing off on the section 34 (FAA), declaration are attesting to the fact that the performance or objectives as outlined in a valid contribution agreement has been achieved and the reimbursement claimed is for eligible expenses. Therefore, registering contact with recipients in this case becomes not just a “best practice” but a necessary record to substantiate the managers claim that the terms and conditions of the agreement are being met.

6. Evaluation Findings

6.1 Effectiveness

6.1.1 Class Objectives

We are satisfied that there is sufficient evidence to show that all of the objectives of the class have been met to varying degrees. In reviewing the files, and in speaking with departmental managers responsible for administering the contribution agreements, there is evidence that environmental projects have been planned, managed and completed. The sample chosen was national in scope and represented contribution agreements from each of the five programs within the class (excluding the Sydney Tar Ponds). The sample included a variety of different organizations which included other levels of government, provincial, municipal and aboriginal, community associations, non-governmental-organizations and corporate associations. In almost all of the cases, the contribution from Environment Canada was deemed essential to the planning, implementation and results achieved. In the cases where the contribution from EC was not essential to the completion to the project, EC was able to use its contribution as a means of achieving some influence on the outcome of a larger project.

In many cases, managers from Environment Canada actively encouraged participation from a wide variety of community groups and community associations through the managers involvement with the community.

Departmental managers from across the country agreed that contribution agreements are one of the most effective means the department has by which to respond to specific needs and emerging issues at the regional or ecosystem level. This was borne out by the files which, to varying degrees, indicate a wide variety of projects have been used to respond to differing regional priorities. This has allowed the department, or in the case of the Habitat Stewardship Program, the federal government, to maintain a presence[2] in sustainable development projects across the country. The presence of the federal government and EC is generally, though not always, acknowledged as will be addressed later in the findings and recommendations.

While a completely accurate figure on the leverage generated through contribution agreements is difficult to ascertain[3], we are satisfied that contribution agreements are a very effective means by which to lever both in-kind and financial resources from various associations and groups wishing to make a contribution toward sustainable development.

6.1.2 Need for federal Funding

Funding from Environment Canada does help to ensure that valuable work on the environment is carried out. We are satisfied that this objective is being met. It is evident from the sample of projects we looked at that a wide variety of community and environmental organizations across the country are using the funding received from EC to manage and complete projects and initiatives aimed at protection, conserving, enhancing and restoring habitats, sites and ecosystems[4].

In general, the funds from Environment Canada are used in three ways:

1. to leverage resources from other sources thereby creating synergy and allowing more to be accomplished;
2. to participate in and therefore to influence the direction of an initiative;
3. to help to meet international obligations, as in the case with the North American Waterfowl Management Plan.

In most cases, managers do not believe the projects supported by EC would have been able to continue, in the same form without the contribution from EC. In some cases, however, it goes beyond that (i.e. North American Waterfowl Management Plan) as 25% funding from Canada is required for the United States to pick up their share of the Prairie Habitat Joint Venture (75%).

6.1.3 The Department's Profile

While contribution agreements are effective ways of achieving environmental results in support of EC's agenda, greater attention should be focused on increasing the departments profile in the projects undertaken including through the dissemination of results.

Environment Canada funds a wide variety of organizations and a diverse array of projects. In all cases. the work is carried out by the recipient. While the contribution agreement stipulates the role of the department must be publicly recognised by the recipient in public

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[2] By presence, we looked for acknowledgement of the role of Environment Canada by the recipient organization.

[3] There were several problems encountered in calculating leverage, 1) Not all of the contribution agreements listed the contributions of the organizations involved, 2) Some agreements differentiated between in kind and financial leverage while others did not.

[4] For a complete description of the projects, please see Appendix A.

documents, this was not always the case in the sample of agreements reviewed. As the department spends considerable amounts of money to fund these projects, it needs and deserves a higher degree of recognition to bring a greater level of awareness of ECs role.

6.1.4 Project Timing

In some areas results were not achieved within the time-frame allowed. Out of the sample of 41 projects, there were only a couple wherein the money has been paid within the time-frame established even though results have not been achieved. In these cases, it was a judgement call by the responsible program manager that the results would still be achieved, just not within the time-frame. In most cases, this has worked. There is one case where it has not although the responsible program manager still believes the results will be carried out. There are varying reasons for this including that biological and scientific processes do not respect the fiscal year and that program managers sometimes lack effective control over results achievement.

In the end, we do believe value for money was obtained in these projects, but the final payments may not have been made within the intended fiscal year.

6.1.5 Contribution versus Contract

The distinction of when to use a contribution agreement and when to use a contract is sometimes blurred. According to financial managers, while they are clear themselves on the distinctions between the two tools, they feel that program managers are not, often wanting to use a contribution agreement when a contract is more appropriate and vice versa. This was demonstrated when we reviewed the contribution agreements. Some agreements in the sample seem to have been used not so much to enable a recipient to carry out activities but, rather to acquire services or knowledge for the department.

6.2 Relevance

The class system was set up by the department in response to a request from the Treasury Board to minimize the number of G&C related TB submissions and offers several key advantages, including: 1) pre-approvals of authority; 2) managers are now preparing the proper documentation (e.g. a G&C agreement vs. some other tool such as a contract) to disburse their funds; 3) providing G&C can now be done in a very efficient and rapid manner. There is time that is saved by not having to go to TB to seek approval. There is also time saved in not having to figure out how to get money to managers (i.e. the G&C road has been opened to us).

The relevance of this approach however is primarily as an administrative convenience to financial managers and those who draw on the class Treasury Board authority to disburse G&C. Transfer payment programs are not managed at the class level. A position has been identified as being a “champion” for grants and contribution and the centre of expertise for providing advice, but there is no position in the department specifically designated as being accountable for the overall results of the classes. The “class” grouping and its goals and objectives had little meaning to program managers and did not have any impact on either their approach to program management or their accountabilities.

6.2.1 Roles

Financial personnel have a clear idea of their own roles and responsibilities but are somewhat uncertain as to the centre of authority within the department on contribution agreements.

Financial Managers lack clarity on where to go and who to turn to when issues arise to which they do not know the answer. There is a comprehensive managers guide which was created by the Director of Finance in Pacific and Yukon Region. This has proven to be a very valuable tool for all managers. However, financial managers remain uncertain as to whether to consult EC Finance or TBS and uncertain as to who to ask when they do not receive the response they need, i.e. when questions arise as to whether to use a contribution agreement or a contract, they are unsure who to turn to (financial officers) if it is not clear in the guide.

Since this report was written, but before it was finalized, Marilyn Issavian in Pacific and Yukon was appointed as the departmental champion for grants and contributions. We commend this move as it should go a long way to resolving the problem identified.

6.3 Efficiency

The absence of a competitive process makes it difficult to determine whether value for money is being achieved. The Office of the Auditor General has noted as recently as 1999 that:

> *Central to government contracting, are the principles of best value and open access to contracting opportunities. "Best value" is the best combination of value and price that the government can obtain in acquiring goods and services for the Crown. "Open access is a fair chance for all qualified vendors to do business with the Crown without political or bureaucratic favour. An open, competitive bidding process provides the best guarantee that both of those principles will be respected.*

While the statement deals with contracting, the OAG has expressed similar concerns with contribution agreements. It is our observation that the absence of a competitive process makes it difficult to assess value for money. G&Cs are funded as directed programs, wherein the department engages the participant to carry out work. While some effort needs to be focused on finding ways to ensure better value for money, it is accepted that such concerns need to be balanced with other factors. On the whole, a high percentage of contribution agreements have met the results they set out to. The capacity which is thereby built up in recipients has positive outcomes that may last longer than the individual G&C agreement. As well, securing active participation and increasing the capacity of non-government organizations allows government to reduce its financial involvement in the longer run.

6.3.1 Value for Money

Program managers should be careful to ensure value for money when dealing with organizations which charge high levels for over-head costs.

Universities across the country comprise a significant portion of the recipients. While engaged in variety of different projects, there appears to be a consistent approach taken by universities in negotiating contribution agreements in that they tend to seek upwards of 60% of contribution funding for their own overhead expenses. Universities view government funding either as a grant or as a contract. In both of these circumstances, a university will charge up to a 60% overhead fee for its own administration expenses. They view contribution agreements from the same perspective.

This poses a problem for the department in that universities can often be a source of intellectual, scientific and technical expertise which enables them to provide meaningful results. From the evidence available, universities are able to provide solid results with the contribution agreements. However, paying overhead charges which in some cases have been up to 60% subtracts significantly from the amount of resources being expended to achieve results. Various managers have been able to negotiate substantially lower overhead costs with universities. This is a best practice that all managers should try to emulate.

Appendix A

The Georgia Basin Ecosystem Initiative[5]:

The Georgia Basin Ecosystem Initiative is the British Columbia component of EC's six ecosystem initiatives. It is the mechanism that EC uses to work with a broad spectrum of partners across the country to achieve environmental results and sustainable development.

The department has earmarked $40 million over the 1998-2003 time period to ensure that the goals committed to in the Georgia Basin Ecosystem Initiative are delivered.

The aim of these initiatives is to represent a positive way of bringing communities together to work co-operatively and constructively toward a common goal. Ecosystem initiatives are designed to respond to the unique problems of targeted areas and communities and address environmental, economic and social concerns. They are characterised by a number of principles, including an ecosystem approach, decisions based on sound science, federal/provincial/territorial partnerships, a citizen/community base, and pollution prevention.

Habitat Stewardship Program[6]

The Habitat Stewardship Program (HSP) for Species at Risk is a new initiative designed to help Canadians protect species and their habitats. The program aims to provide landowners and land users with the opportunity to make decisions about land management activities.

The program's goal is to encourage land use and resource use practices that maintain habitat that is critical to the survival and recovery of threatened or endangered species identified in recovery planning. The HSP was designed to enhance existing conservation activities, encourage new initiatives, and address a number of other priorities as well:

- Encouraging conservation agreements with governments, organisations or individuals to implement recovery strategies, action plans, and management plans, including measures to protect species' critical habitat;
- Funding programs and measures for the conservation of wildlife species;
- Increasing funding for those people who are working to deliver stewardship on the ground, so that they can increase their efforts to conserve species and habitats; and

Approved projects target priority recovery activities on private lands, provincial crown lands, municipal lands, and Aboriginal lands through stewardship programs delivered by non-governmental organisations to landowners, lease holders, resource users and local communities.

[5] See: http://www2.ec.gc.ca/press/georgia_n_e.htm

[6] See: http://www2.ec.gc.ca/press/000815d_b_e.htm

North American Waterfowl Management Plan[7]

The North American Waterfowl Management Plan (NAWMP) aims to restore waterfowl populations in North America to 1970's levels by securing, enhancing, and managing wetland and upland habitat across the continent. NAWMP is a partnership program implemented and financed through joint venture partnerships involving federal, state, and provincial/territorial government agencies, non-government organisations, the private sector, and landowners. The primary focus of NAWMP is the conservation of wetlands and upland habitat to support waterfowl populations, plan activities benefit a whole range of wildlife species in addition to waterfowl.

Throughout the continent, the Plan establishes regional partnerships called "joint ventures" to undertake conservation projects. Each joint venture includes the participation of individuals, corporations, conservation organizations and government agencies. The joint ventures represent links in the Plan's national and international systems. Canada has three habitat joint ventures (Pacific Coast, Prairie Habitat and Eastern Habitat) and three species joint ventures (Arctic Goose, Black Duck, and Sea Duck). The Pacific Coast Joint Venture and each of the species joint ventures are international in scope. Joint ventures develop implementation plans focusing on areas of concern identified in the Plan. The joint ventures are integral to Plan implementation in Canada and the United States. In Mexico, regional partnerships have been formed to link with regional, national and international Plan activities.

Contribution Programs under the St. Lawrence Action Plan

Phase III of the St. Lawrence action plan was initiated in 1998 and is built on co-operation between the federal and Québec governments. A number of both federal and provincial departments are combining their efforts and have committed $184 million over five years, to continue action initiated under the first two phases of the St. Lawrence Action Plan. An additional $55 million will also be added to the existing funding in order to better respond to public concerns about the St. Lawrence. In addition to the actions taken directly by the two governments to address issues such as industrial cleanup, biodiversity, health the participation of non government organisations and increased involvement of riverside communities in the protection and conservation of the St. Lawrence is an important part of Phase III.

Three contribution programs fall within this larger context. They are:

The Stratégies Saint-Laurent is a coordination organization mandated to coordinate and promote the Areas of Prime Concern (ZIP), more specifically to: facilitate communication and exchanges between ZIP committees; create new committees; and ensure follow-up on action plans and work achieved by those committees. The ZIPs implement concrete actions selected by the general public, in consultation with various governmental and private local organizations. program including facilitating communication and exchanges between existing ZIP committees and creating new ones, and following up on the action plans they develop and carry out. The role of the ZIPs is to encouraging consensus building within communities along the river and see to it that action priorities are set at the local level.

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[7] See: http://www.pnr-rpn.ec.gc.ca/nature/whp/df00s05.en.html

Community Interaction Program (Quebec)[8]

In addition to protecting the health of humans and the St. Lawrence ecosystem, another objective of Phase III is to get riverside communities involved in order to increase access to and regain uses of the St. Lawrence River.

The purpose of the Community Interaction financial and technical assistance program is first and foremost to support the implementation of community projects resulting from the action plans. However, other projects that meet the program's objectives may also be eligible.

The Community Interaction program has the following objectives:

- to work towards achieving the objectives of Phase III of the St. Lawrence Action Plan;
- to enlist the support of the public in achieving the objectives of Phase III;
- to develop partnerships between various stakeholders at the local or regional level to carry out concrete action.

The partners of the Community Interaction program are: Environment Canada; Ministère de l'environnement du Québec; Société de la faune et des parcs du Québec (FAPAQ).

The third contribution program is a **Contribution to the Province of Quebec for Joint Projects.** Through this contribution program and agreement Canada provides technical and scientific advice and support to mutually agreed to objectives to fulfil the goals of Phase III of the St. Lawrence Action Plan.

Sydney Tar Ponds and Coke Oven Site

This is a contribution to a three-year Cost-Share Agreements signed in 1999 between the governments of Canada, Nova Scotia and the Cape Breton Regional Municipality (CBRM). The agreement establishes that $62 million has been earmarked to provide for the implementation of the Joint Action group (JAG) resolutions created prior to 1997 and to support the work of JAG over the next three years to seek solutions to the environmental and health risks associated with the Sydney Tar Ponds and Coke Ovens in the Muggah Creek Watershed.

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[8] See: http://slv2000.qc.ec.gc.ca/plan_action/phase3/implication_communautaire/programme_interactions/accueil_a.htm

Appendix B

Audit Methodology

This class of contributions contains approximately 250 individual contribution agreements under nine programs. This audit was conducted by:

I. examining a cross section of about 15% of these agreements covering:

- all contribution agreements over 200K and a representative sample from three other lower dollar value categories;
- at least 15% or more of agreements managed in all five of the department's regional offices;
- to the extent possible, a representative sample from each recipient group including Non Government Organisations and Environmental Non Government Organisations, Governments, Native Organisations, individuals and others;
- agreements managed by all participating services and across a selection of units within each service.

Part of the department's commitment in adopting a class approach to managing the majority of its grants and contributions is to carry out audits on all the classes over a five year time frame beginning with the most materially relevant class and generally applying a risk based approach. A risk based approach would normally yield a focused sample of programs and contribution agreements for consideration. However, for this, the first audit of one of the classes of grants and contributions, this concept was expanded to include a more comprehensive sample in order to provide a baseline of data and experience that will aid and inform future audits in the other four transfer payment classes.

II. An examination was undertaken of any pertinent documents including but not restricted to Treasury Board submissions, Orders in Council, policies, Treasury Board directives and guidance, financial statements, reports, and any previous relevant reviews/audits conducted by the Office of the Auditor General. The document review assists in establishing the requirements under which a contributions program must operate as well as providing evidence of accountability structures and management controls and other information to support the findings.

III. Interviews were conducted with program managers in the regional offices and in headquarters where appropriate and with HQ and regional financial officers to determine their respective roles and responsibilities relative to the management controls process for this class of contributions.