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Audit of Canadian Heritage Information Network

Office of the Chief Audit and Evaluation Executive
Audit and Assurance Services Directorate

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Executive Summary

Introduction

The Canadian Heritage Information Network (CHIN) is a Special Operating Agency (SOA)¹ of the Department of Canadian Heritage (PCH) that enables Canadian museums and other heritage institutions to connect with each other and their audiences through digital technologies. As a SOA, CHIN has been delegated a limited number of increased management authorities in order to fulfill its mandate, in particular the authority to set and adjust rates and to deviate from the Federal Identity Program (FIP) requirements when work is done on behalf of non-Government of Canada clients.

From its start in 1972, CHIN has helped heritage institutions to use information and communications technologies. This important work began with the national inventory of museum objects in the 1970s. It continued with CHIN's development of professional standards and resources in the 1980s and the introduction of Web access to these resources in the 1990s. The creation of the Virtual Museum of Canada (VMC) in 2001 was part of CHIN's commitment to providing online access to Canada's heritage, and the initiative has evolved in the intervening decade to address developments in available technologies and user behaviours.

The authority for this audit is derived from the Multi-Year Risk-Based Audit Plan 2011-2012 to 2013-2014 which was recommended by the Departmental Audit Committee (DAC) and approved by the Deputy Minister in March 2011.

The objective of this audit was to provide assurance on the adequacy and effectiveness of CHIN financial and risk management practices; Information Technology (IT) governance; and, internal controls used in the delivery of the Virtual Museum of Canada Investment Programs and the Young Canada Works Initiative.

The scope of this audit focused on current management practices with respect to financial and risk management, IT governance and IT planning. Procurement-related internal controls and management practices used in the delivery of CHIN Virtual Museum of Canada Investment Programs and Young Canada Works Initiative were reviewed for the period between April 1, 2009 and February 29, 2012

¹ Special operating agencies are units within a department or agency that have a separate or distinct identity and that serve a particular operational function or provide a particular service. They are considered part of the host department, and not as separate legal entities. (Source: Inventory of Government of Canada Organizations 2011)

Processes which have transitioned to the Sector Resource Management Directorate function (Sector's Service Hub) were not included as part of the scope of this audit.

Key Findings

Throughout audit fieldwork, the audit team observed several examples of how controls are properly designed and applied effectively. This resulted in several positive findings which are listed below:

- Standard operating procedures and supporting systems/tools have been developed to ensure consistency in the delivery of Young Canada Works, Community Memories and Virtual Exhibits initiatives;
- Terms of reference and conflict of interest guidelines have been developed for the Virtual Exhibit Editorial Board and include composition, roles and responsibilities and evaluation criteria used when evaluating Virtual Exhibit proposals. Furthermore, on-line evaluation software tool has been developed to assist in proposal evaluation;
- CHIN program officers review client deliverables and transfer them to CHIN member services (in the case of Community Memories) and the IM/IT Directorate (in the case of the more complex Virtual Exhibits) for a quality assurance review of technical capabilities prior to processing the final payment;
- All invoices reviewed for Young Canada Works, Community Memories and Virtual Exhibits had evidence of FAA Section 34 approval on file; and,
- Segregation of duties are in place, namely, commitment authority (FAA Section 32), transaction authority (FAA Section 41), and expenditure authority (FAA Section 34) were not performed by the same person.

The audit team also identified opportunities where management practices and processes could be enhanced, which are summarized below:

Governance and Risk Management

- There is an opportunity to build on CHIN's current budgeting process by improving and formalizing the documentation of the process along with assumptions and resource allocation decisions used in developing CHIN's budget.
- While CHIN has established a formal IT governance structure, there is an opportunity to strengthen this structure by confirming key committees, formalizing practices for documenting key committee decisions, and developing an IT investment plan or longer-term strategy to guide IT investments.

Internal Control

- While formal authorities are delegated to CHIN employees with respect to expenditure initiation, commitment authority, and contracting authority (at the time of the audit), there is an opportunity to reinforce proper implementation of these delegations and to ensure evidence of timeliness in authorizing delegated approvals. In addition, contracts used by CHIN should include all required contracting clauses.

Recommendations

Governance and Risk Management

1. The Director General of the Canadian Heritage Information Network should work with the Sector Resource Management Directorate function (Sector's Service Hub) to document the CHIN budgeting process and ensure that this knowledge is shared with the appropriate staff.
2. The Director General of the Canadian Heritage Information Network should build on existing IT governance practices by:
 - 2.1 Reviewing CHIN's IT governance structure to determine which committees are essential, ensure they are in place and operating as required, and establish a practice to document key decisions for all committees; and,
 - 2.2 Developing an IT strategy/plan that reflects IT technology risks and can be used to identify investment requirements as well as to measure progress for key initiatives, assess overall effectiveness of CHIN's IT infrastructure in meeting its technology needs and to justify budget assumptions.

Internal Control

- 3 The Director General of Canadian Heritage Information Network should work with the Sector Resource Management Directorate function (Sector's Service Hub) to:
 - 3.1 Ensure all delegated authority approvals are authorized properly and in a timely manner; and,
 - 3.2 Ensure that contracts used by CHIN include all required contracting clauses and are approved by the contracting authority prior to commencement of work.

Statement of Conformance

In my professional judgment as Chief Audit and Evaluation Executive, the audit was conducted in accordance with the Internal Auditing Standards for the Government of Canada. A practice inspection has not been conducted.

Audit Opinion

In my opinion, the Canadian Heritage Information Network (CHIN) is generally controlled with moderate control weaknesses that require improvements in relation to the budgeting process, IT governance and planning practices, and procurement approvals and contracts.

Original signed by

Richard Willan

Chief Audit and Evaluation Executive
Department of Canadian Heritage

Audit Team Members

Maria Lapointe-Savoie

Nicole Serafin

Dylan Edgar

With the assistance of external resources

1. Introduction and Context

1.1 Authority for the Project

The authority for this audit is derived from the Multi-Year Risk-Based Audit Plan 2011-2012 to 2013-2014 which was recommended by the Departmental Audit Committee (DAC) and approved by the Deputy Minister in March 2011.

1.2 Background

The Canadian Heritage Information Network (CHIN) is a Special Operating Agency (SOA)² of the Department of Canadian Heritage (PCH). CHIN serves as a national centre of expertise to more than 1,500 Canadian museums and other member heritage institutions across Canada, enabling them to connect with each other and their audiences through digital technologies. An international leader in the creation, management, presentation and preservation of digital heritage content, CHIN provides Canada's not-for-profit heritage sector with collaborative research opportunities and results, skills development products and services, and support for content development and presentation. In addition to overseeing the Virtual Museum of Canada (VMC) portal at virtualmuseum.ca and the VMC Investment Programs, CHIN also delivers the national inventory of museum objects, Artefacts Canada, and the Professional Exchange website for heritage professionals and volunteers at pro.chin.gc.ca.

From its start in 1972, CHIN has helped heritage institutions to use information and communications technologies. This important work began with the national inventory of museum objects in the 1970s. It continued with CHIN's development of professional standards and resources in the 1980s and the introduction of Web access to these resources in the 1990s. The creation of the Virtual Museum of Canada (VMC) in 2001 was part of CHIN's commitment to providing online access to Canada's heritage, and the initiative has evolved in the intervening decade to address developments in available technologies and user behaviours. CHIN had an approximate annual budget of \$9M in 2011-2012.

The governance structure of CHIN includes two distinct Directorates, each reporting to the Director General: Program Development and Information Management (IM)/Information Technology (IT) Solutions. Prior to the establishment of Sector Resource Management Directorate within each sector, CHIN's governance structure also included a Services and Administration Directorate.

² Special operating agencies are units within a department or agency that have a separate or distinct identity and that serve a particular operational function or provide a particular service. They are considered part of the host department, and not as separate legal entities. (Source: Inventory of Government of Canada Organizations 2011)

CHIN does not administer grants and contributions. In the place of grants and contributions, CHIN uses two programs, Virtual Exhibit Investment Program and the Community Memories Program to achieve its objectives.

The primary activities conducted by CHIN include development and management of the Virtual Museum of Canada Portal and delivery of the Virtual Museum Investment Programs and the Young Canada Works Initiative (as of 2012-2013 CHIN is no longer a delivery agent for YCW), which are described further below. In the most recent fiscal year, approximately \$2.6M was allocated for Young Canada Works, Community Memories and Virtual Exhibit projects.

Virtual Museum of Canada Portal

CHIN administers the Virtual Museum of Canada (VMC) portal at www.museevirtuel-virtualmuseum.ca/index-eng.jsp. Through the VMC, CHIN enables Canadians to access heritage content and features developed by Canadian museums and galleries. CHIN also provides the heritage community with products and services that allow the museum community to access professional resources with a focus on skills development for the creation, presentation and management of digital content. The portal is designed to enable museums to voluntarily collaborate in the development of an important and visible online presence. It also serves as a virtual test site for research and innovation undertaken by museums and research partners.

Virtual Museum Investment Programs

Virtual Exhibits Investment Program (VE)

Through the Virtual Exhibits Investment Program online exhibits, interactive resources, and other educational resources that engage online audiences in Canada and internationally, are developed by member museums through a competitive, contractual process. In exchange for the agreed upon investment, CHIN receives a license to reproduce, exhibit, adapt and communicate to the public these virtual exhibits and learning resources.

On an annual basis proposals are submitted for the creation of different types of products which are posted on the VMC portal such as: such as virtual exhibits (Virtual Exhibit) and tours (Virtual Tour), digital learning resources (Interactive Resources and Educational Resources), and productions that allow users to exchange information.

The selection of products for investment is based on the recommendations of the VMC Editorial Board. The VMC Editorial Board is composed of museum community representatives (approximately 8 to 10 at any given time), as well as representatives from other relevant sectors (e.g. educational sector and new media). The VMC Editorial Board's role is to evaluate the proposals submitted to the VMC Investment Program, taking into account the desired program outcomes and evaluation criteria. Based on their evaluation, Board members provide recommendations to the Director General of CHIN with respect to the projects in which the VMC should invest. While the results of each call for proposals may not reflect every region of the country, VMC content as a whole is

meant to be a fair national representation of CHIN's museum membership. The maximum investment that an institution can receive under VE is \$400,000.

Community Memories Program (CM)

Community Memories exhibits offer insights into the events and the people that shaped a community. These online exhibits have a specific focus, such as a town's industry or early settlers. Exhibits draw from an institution's permanent collection and community members' personal photographs, documents and stories.

The call for proposals for new content is issued at least once a year and approved proposals receive a contract for \$5,000. Afterwards, if considered eligible by the program, an additional contract for up to \$2,500 can be issued for translation purposes. Decisions concerning the selection of proposals are made by the Director General of CHIN based on advice from the VMC Investment Programs staff.

To create a Community Memories exhibit, museums use the Community Memories software supplied by CHIN (without charge). This software can be used to create an unlimited number of individual exhibits. Exhibits are then posted on the VMC portal.

Young Canada Works (YCW)

The CHIN component of the YCW Initiative targeted the development of career-related skills in recent college and university graduates who were unemployed or underemployed and typically supported up to 75% of internship costs for a four to six month period. Although the Digital Technology themed internships are no longer offered, Young Canada Works (YCW) continues to sponsor two internship programs for graduates and two summer job programs for students.

At the time of the audit, CHIN's YCW funds were available on a competitive basis to CHIN members who were involved in work related to CHIN projects or its online products, including Artefacts Canada, VMC exhibits, Community Memories exhibits, VMC Teacher Centre, and similar works. The maximum amount of funding for each national and international internship was \$8,000 and \$12,000 respectively. The employer's financial and in-kind contribution was a minimum of 25% of the contract value. CHIN entered into a contract with successful employers.

As part of the Department's comprehensive review of its programs and operations, focused on increasing efficiency and effectiveness, CHIN is no longer acting as a delivery organization for the Young Canada Works Internship Program.

2. Objective

The objective of this audit was to provide assurance on the adequacy and effectiveness of CHIN financial and risk management practices; IT governance; and, internal controls used in the delivery of the Virtual Museum of Canada Investment Programs and the Young Canada Works Initiative.

3. Scope

The scope of this audit focused on current management practices with respect to financial and risk management; IT governance; and, IT planning. Procurement-related internal controls and management practices used in the delivery of CHIN's Virtual Museum of Canada Investment Programs and the Young Canada Works Initiative were reviewed for the period between April 1, 2009 and February 29, 2012.

Processes which have transitioned to the Sector Resource Management Directorate function (Sector's Service Hub) were not included as part of the scope of this audit.

4. Approach and Methodology

All audit work was conducted in accordance with the Treasury Board Secretariat's *Internal Auditing Standards for the Government of Canada*, and *Policy on Internal Audit*. The audit methodology included:

- Conducting over 14 interviews with program representatives to understand CHIN-specific practices used for financial and risk management, IT governance, and procurement practices;
- Review of CHIN documentation to identify financial risk and management practices;
- Examination of CHIN IT governance and planning documentation;
- Testing of 7 Young Canada Work contracts, 11 Community Memories contracts and 8 Virtual Exhibit contracts to ensure compliance with policies, procedures, rules and regulations;
- Given that Virtual Museum of Canada investment projects may exceed 12 months or span fiscal years, Virtual Museum of Canada investment projects were selected from both fiscal year 2009/10, and 2010/11. For the Young Canada Works Initiative, projects were selected from fiscal year 2010/11 and 2011/12. For the Community Memories Program (CM), projects were selected from fiscal year 2010/11 and 2011/12.
- Meetings with senior management to validate observations and solicit feedback on draft recommendations; and
- Developing draft and final versions of the report.

Refer to Appendix B for details on the sampling methodology used.

5. Findings and Recommendations

Based on a combination of the evidence gathered through an examination of documentation, analysis, file testing and interviews conducted, each of the audit's criteria were assessed by the audit team and a conclusion for each audit criterion was determined.

The audit team identified opportunities for improvement resulting in three recommendations. Minor opportunities for improvement were communicated to management for their consideration in a management letter. Details of the audit's observations and recommendations are provided below:

5.1 Governance and Risk Management

The audit team identified three areas for improvement in relation to CHIN governance and risk management.

5.1.1 Enhancing Documentation of Budget Process

There is an opportunity to build on CHIN's current budgeting process by improving and formalizing the documentation of the process along with assumptions and resource allocation decisions used in developing CHIN's budget.

Analysis

A process is in place to prepare the annual CHIN budget. The approach used is primarily a "bottom-up" approach in which the CHIN Director General (DG) reviews management budget assumptions and requests and approves final resource allocations to determine budgets for CHIN.

With the creation of the Sector Resource Management Directorate in September 2011 budgeting and forecasting activities which were performed by CHIN have been assumed by that Directorate's function (Sector's Service Hub).

The audit found that the process used to develop the annual budget was highly dependent on the knowledge and experience of the CHIN DG (who is now retired) and that the assumptions and decision-making process used to make resource allocation decisions have not been documented and formalized. When questioned by the audit team on specific budget information as part of this audit, CHIN management did not have the requested information readily available and had to consult with the Sector's Service Hub for clarification.

More formalized and documented understanding of budget assumptions and how resource allocations were derived would help ease the transition to the Sector's Service

Hub as well as help overcome the lost corporate memory and knowledge caused by the retirement of the DG and departure of the Director, IM/IT Solutions.

Risk Assessment

Given the lack of documentation, the change in management personnel, and the transition to the Sector's Service Hub, there is a risk that remaining CHIN management will not have an appropriate understanding of key budget assumptions, how resource allocation decisions are made within CHIN's context, or other critical budget information as financial resource usage is tracked throughout the year.

Recommendation

1. The Director General of Canadian Heritage Information Network should work with the Sector Resource Management Directorate function (Sector's Service Hub) to document the CHIN budgeting process and ensure that this knowledge is shared with the appropriate staff.

5.1.2 Strengthening IT Governance Practices

While CHIN has established a formal IT governance structure, there is an opportunity to strengthen this structure by confirming key committees, formalizing practices for documenting key committee decisions, and developing an IT investment plan or longer-term strategy to guide IT investments.

Analysis

Given its focus on service delivery, CHIN's IT capacity and governance are fully integrated into its program delivery. As such, CHIN recently established a more formalized IT governance structure, which management noted has provided improvements in terms of clarity and effectiveness of IT governance. On an annual basis, CHIN IM/IT Managers identify and prioritize IT requirements and prepare proposed budgets for DG and Director, IM/IT Solutions approval. CHIN IT planning and budgeting focuses on servicing and maintaining current equipment and software. Management noted that significant replacement of IT equipment will take place in the next fiscal year; however, this initiative is being led by Shared Services Canada.

While there are elements of an IT governance framework in place, the audit found that higher level committees (e.g. CHIN Service and Project Steering Committee) do not exist or do not have adequate supporting documentation resulting from committee meetings (e.g. documentation of records of decisions for higher level governance committees).

The audit also found that there is no up-to-date IT investment plan or long-term IT strategy to guide IT investments. With the implementation of Shared Services Canada, CHIN requirements may be of relative lesser priority and it will become increasingly

important that CHIN develop practices and processes, including an IT investment plan/strategy, which ensure current and future IT business needs are clearly identified.

In addition, while CHIN informally considers the impact of technology on program delivery, a key risk to the achievement of CHIN objectives is CHIN's ability to continue to respond to client requirements and develop products and deliver services which keep pace with the evolution of digital technologies. The audit did not find this risk was clearly reflected in the CHIN business plan or risk management strategy. Given the central role technology plays in CHIN's operations, and given the rapid pace of technology change and innovation, it is appropriate that CHIN explicitly consider this IT risk and develop adequate mitigating actions to address any unacceptable risk exposure.

Risk Assessment

Without adequate documentation of IT governance committee records of decisions for high level governance committees, management may not be able to adequately demonstrate supporting rationale for key decisions. There is also a risk that committees do not exist as planned and oversight provided is different from what was designed.

Without an IT plan or strategy (and risk mitigation plan), it is more difficult to ensure continued technology alignment with future business needs, to track and measure progress against planned initiatives, or to measure the effectiveness of CHIN's IT infrastructure in meeting its technology needs.

Recommendations

2. The Director General of the Canadian Heritage Information Network should build on existing IT governance practices by:
 - 2.1 Reviewing CHIN's IT governance structure to determine which committees are essential, ensure they are in place and operating as required, and establish a practice to document key decisions for all committees; and,
 - 2.2 Developing an IT strategy/plan that reflects IT technology risks and can be used to identify investment requirements as well as to measure progress for key initiatives, assess overall effectiveness of CHIN's IT infrastructure in meeting its technology needs, and to justify budget assumptions.

5.2 Internal Control

5.2.1. Enhancing Controls Used in Contracting Process

While formal authorities are delegated to CHIN employees with respect to expenditure initiation, commitment authority, and contracting authority (at the time of the audit), there is an opportunity to reinforce proper implementation of these delegations and to ensure evidence of timeliness in authorizing delegated approvals. In addition, contracts used by CHIN should include all required contracting clauses.

Analysis

CHIN VMC investment programs (i.e. Virtual Exhibits and Community Memories) and Young Canada Works operate similarly to the limited tender contracting process and contracts are similar to other Government-issued goods and services contracts.

In the sample contract files reviewed, some exceptions were noted as follows:

- Commitment authority (FAA Section 32) was not always dated or evidenced and contracting authority (FAA Section 41) was not always evidenced;
- Standard contracting clauses which are expected to be used in all Departmental contracts in order to protect the Crown were not always included in CHIN contracts reviewed. Specifically, clauses such as privacy and security of information, intellectual property and cancellation were not included in all CHIN contracts reviewed;
- Lastly, contracting authority approval (FAA Section 41) was obtained after the commencement of work in all files tested. Specifically, the contract start date preceded the contracting authority approval date. Through discussions with management, it was noted that prior to the introduction of the Sector Resource Management Directorate, CHIN would typically sign formal service agreements with museum clients prior to submitting the agreement to the contracting authority for their approval; therefore, contracting authority approval was obtained after the commencement of work in tested files.

Risk Assessment

Without appropriate evidence demonstrating delegated commitment authority or contracting authority, there is a risk of non-compliance to Financial Administration Act (FAA) requirements.

Without standard clauses in contracts, there is a risk that agreements (and amendments) do not adequately protect the Crown or describe the work to be undertaken.

Without a signed contract by the contracting authority prior to commencement of work, there is a risk that the contractor is providing services before the contract is approved and before the terms and conditions have been committed.

Recommendations

3. The Director General of the Canadian Heritage Information Network should work with the Sector Resource Management Directorate function (Sector's Service Hub) to:
 - 3.1 Ensure all delegated authority approvals are authorized properly and in a timely manner; and,
 - 3.2 Ensure that contracts used by CHIN include all required contracting clauses and are approved by the contracting authority prior to commencement of work.

Appendix A – Audit Criteria

The conclusions reached for each of the audit criteria used in the audit were developed according to the following definitions.

Numerical Categorization	Conclusion on Audit Criteria	Definition of Conclusion
1	Well Controlled	<ul style="list-style-type: none"> Well managed, effective, and no material weaknesses noted.
2	Controlled	<ul style="list-style-type: none"> Well managed, but minor improvements are needed.
3	Moderate Issues	<p>Has moderate issues requiring management focus (at least one of the following two criteria need to be met):</p> <ul style="list-style-type: none"> control weaknesses, but exposure is limited because likelihood of risk occurring is not high; control weaknesses, but exposure is limited because impact of the risk is not high.
4	Significant Improvements Required	<p>Requires significant improvements (at least one of the following three criteria need to be met):</p> <ul style="list-style-type: none"> financial adjustments material to line item or area or to the department; or control deficiencies represent serious exposure; or major deficiencies in overall control structure. <p>Note: Every audit criteria that is categorized as a “4” must be immediately disclosed to the CAEE and the subjects matter’s Director General or higher level for corrective action.</p>

The following are the audit criteria and examples of key evidence and/or observations noted which were analyzed and against which conclusions were drawn. In cases where significant improvements (4) and/or moderate issues (3) were observed, these were reported in the audit report, and the exposure risk is noted in the table below.

Criteria #	Audit Criteria	Conclusion on Audit Criteria	Examples of Key Evidence / Observation
1.1	A formal process is in place to prepare the budget with an appropriate level of detail and to challenge the assumptions and related resource allocations.	3	<ul style="list-style-type: none"> The process, assumptions and decision-making process used to make resource allocations decisions are not documented or formalized.
1.2	Financial progress and variances are adequately monitored and communicated on a regular basis and effectively used to support management decision making.	1	<ul style="list-style-type: none"> Budgets are tracked, measured and variances are reported. The information is communicated and used to support decision-making.
1.3	Mechanisms are used to systematically identify, assess and mitigate risks to the achievement of CHIN objectives.	3	<ul style="list-style-type: none"> Reporting during the year on risk mitigation is not documented. CHIN informally considers technological impacts on their program delivery and business model, the risk of staying current with current IT technology is not adequately reflected in the CHIN business plan.
2.1	CHIN IT investment planning and IT planning processes are appropriate to ensure alignment with current and future business needs.	3	<ul style="list-style-type: none"> There is no current IT investment plan or long-term strategy and plan to guide IT investments.
2.2	The CHIN IT governance framework includes structures, processes, leadership, roles and responsibilities that ensure that IT investments are	3	<ul style="list-style-type: none"> Higher level committees do not exist or do not have documentation supporting consistency with the Framework.

Criteria #	Audit Criteria	Conclusion on Audit Criteria	Examples of Key Evidence / Observation
	aligned with stakeholder governance structures.		
2.3	CHIN IT governance oversight bodies request and receive sufficient, complete, timely and accurate information.	3	<ul style="list-style-type: none"> There are no meeting minutes for higher level governance committees, making it difficult to determine the degree that CHIN IT governance oversight bodies request and receive sufficient, complete, timely and accurate information.
2.4	CHIN has and is executing on an operational plan and monitoring practices to ensure alignment with relevant Government of Canada Standards on Web Accessibility.	2	<ul style="list-style-type: none"> Project plans are still in the progress of being developed and finalized. The Project Charter does not clearly specify timelines for Accessibility compliance and a timeline for project close out.
3.1	Standard operating procedures and supporting systems/tools have been developed to ensure consistency.	1	<ul style="list-style-type: none"> Standard operating procedures and supporting systems/tools are developed to ensure consistency for Young Canada Works, Community Memories and Virtual Exhibits
3.2	Funding recommendations (and rejections) including adequate rationale, are free from bias and demonstrate assessment of eligibility and capacity to perform.	2	<ul style="list-style-type: none"> Funding recommendations (and rejections) include adequate rationale and demonstrate assessment of eligibility. Minor exceptions were noted. YCW applications are evaluated based on pre-established criteria; however, application evaluations are not always signed-off as evidence of the assessment.
3.3	Funding expenditure initiation and commitment authority are obtained prior to contracting (FAA Section 32).	3	<ul style="list-style-type: none"> Funding expenditure initiation and commitment authority is obtained prior to contracting; however, commitment authority is not always dated or evidenced.
3.4	Contracting authority approval (FAA Section 41) is obtained prior to contract finalization.	3	<ul style="list-style-type: none"> Some contracts do not have evidence of contracting authority; and contracting authority approval is obtained after the commencement of work for all files reviewed.
	Contracts (and amendments) describe	3	<ul style="list-style-type: none"> Contracts describe the work to be undertaken, are properly

Criteria #	Audit Criteria	Conclusion on Audit Criteria	Examples of Key Evidence / Observation
3.5	the work to be undertaken, are properly documented and authorized appropriately.		documented and authorized appropriately; however, standard clauses are not always included in all CHIN contracts reviewed.
3.6	There is sufficient evidence to demonstrate that the contract is regularly monitored throughout its duration to ensure that milestones are achieved and terms and conditions of the contract have been adhered to.	2	<ul style="list-style-type: none"> There is an opportunity to ensure evidence is consistently retained on file to demonstrate that contracts are regularly monitored throughout their duration.
3.7	Claims are appropriately reviewed and approved (FAA Section 34).	1	<ul style="list-style-type: none"> Invoices reviewed for Young Canada Works, Virtual Exhibits and Community Memories have evidence of FAA Section 34 approval on file.
3.8	Segregation of duties is appropriate (i.e. transaction authority, who enters into contract should not also be responsible for FAA Sec. 34).	1	<ul style="list-style-type: none"> Segregation of duties is appropriate.

Appendix B – Sampling Methodology

The objective in the sampling strategy was to ensure the selected sample for this audit included a reasonable number of project files that were started and completed within the audit scope (April 1, 2009 to February 29, 2012). Given this situation, the following sample strategy for control effectiveness testing was used:

Community Memories	Total Population	Sample Selection	As % of total funds spent
2010/11	40	5	15%
2011/12	60	6	15%

Young Canada Works	Total Population	Sample Selection	As % of total funds spent
2010/11	21	5	38%
2011/12	21	2	10%

Virtual Exhibits	Total Population	Sample Selection	As % of total funds spent
2009/10	7	1	25%
2010/11	20	5	28%

Virtual Exhibits - Renewals	Total Population	Sample Selection	As % of total funds spent
2010/11	14	2	15%

The sample selection considered the following factors:

- Adequate coverage for both fiscal years;
- Program Officer managing the file;
- Materiality, with equal selection of high value files and smaller value files;
- Identified risks; and,
- Testing of controls for eligibility assessment, monitoring & payment, and project closure.

In addition, a sample of rejected projects was also reviewed:

- Community Memories: 1 rejected application for each 2009/10 and 2010/11
- Young Canada Works: 1 rejects application for 2010/11

Appendix C – Management Action Plan

Project Title: Audit of the Canadian Heritage Information Network (CHIN)

MANAGEMENT ACTION PLAN

5.1 Governance and Risk Management

Recommendation	Actions	Who	Target Date
1. The Director General of Canadian Heritage Information Network should work with the Sector Resource Management Directorate function (Sector's Service Hub) to document the CHIN budgeting process and ensure that this knowledge is shared with the appropriate staff.	Agree CHIN will work with the Sector's Service Hub to identify and implement best practices in the ongoing documentation of the budget process, planning and tracking.	Director General	April 1, 2013
Recommendation	Actions	Who	Target Date
2. The Director General of the Canadian Heritage Information Network should build on existing IT governance practices by: 1.1 Reviewing CHIN's IT governance structure to determine which committees are essential, ensure they are in place and operating as required, and establish a practice to document key decisions for all committees; and, 1.2 Developing an IT strategy/plan that reflects IT	Agree CHIN will review the effectiveness of the IT governance structure adopted in recent years, with a view towards streamlining and integrating related committees within CHIN's overall governance structure where appropriate. CHIN will also develop terms of reference for all confirmed committees.	Director General	April 1, 2013

technology risks and can be used to identify investment requirements as well as to measure progress for key initiatives, assess overall effectiveness of CHIN's IT infrastructure in meeting its technology needs and to justify budget assumptions.	As part of CHIN's ongoing planning cycle, CHIN will develop a dedicated, multi-year IT plan that reflects operational priorities, outlines investments and expenditures, and includes a comprehensive review of IT-related risks. Progress in the implementation of planned mitigation activities will be documented.		April 1, 2013
5.2 Internal Control			
Recommendation	Actions	Who	Target Date
<p>3. The Director General of Canadian Heritage Information Network should work with the Sector Resource Management Directorate function (Sector's Service Hub) to :</p> <p>3..1. Ensure all delegated authority approvals are authorized properly and in a timely manner; and,</p> <p>3..2. Ensure that contracts used by CHIN include all required contracting clauses and are approved by the contracting clauses and are approved by the contracting authority prior to the commencement of work.</p>	<p>Agree</p> <p>CHIN will work with the Sector's Service Hub to ensure delegated authorities are clarified and affected staff is informed accordingly.</p> <p>All contracts have been reviewed by CHIN's legal counsel and the Sector's Service Hub. They now include all the necessary clauses, such as privacy and security of information, intellectual property and cancellation.</p>	Director General	<p>August 2012</p> <p>August 2012</p>