

**INTERNAL AUDIT
INFRASTRUCTURE CANADA PROGRAM (ICP)
COMPLIANCE WITH KEY CONTROLS DURING PROJECT AMENDMENT
PROCESSES, CONTRIBUTION PAYMENT PROCESSES AND BUDGET
MONITORING**

**INTERNAL AUDIT REPORT
FOR THE 2009-2010 FISCAL YEAR**

**PREPARED BY
AUDIT SERVICES CANADA (ASC)
FOR THE
INTERNAL AUDIT BRANCH
(IAB)**

CANADA ECONOMIC DEVELOPMENT FOR QUEBEC REGIONS

MARCH 2011

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EXECUTIVE SUMMARY

Introduction

As part of its commitment to maintaining and improving the quality of life of Canadians, in October 2000, the Government of Canada signed with the Government of Quebec the *Canada - Quebec Infrastructure Program Agreement* (the Agreement). The federal government's contribution under the Agreement totals \$515,508,000, spread over a ten-year period. The federal government assumes approximately one third of the cost of the infrastructure projects; the other two thirds are assumed by the Government of Quebec, municipal governments and other proponents.

Although Infrastructure Canada (IC) is also a signatory to the Agreement, the federal portion of the program is administered by the Canada Economic Development Agency for Quebec Regions (the Agency), Infrastructure Directorate, and the provincial portion is administered by the *ministère des Affaires municipales, des Régions et de l'Occupation du territoire* (MAMROT) and the *ministère des Transports du Québec* (MTQ). A management committee was set up to manage the Agreement. A federal Co-chair (the Director of the Agency's Infrastructure Directorate) and a provincial Co-chair (director of infrastructure at MAMROT) are the primary managers. The provincial ministries are the principal contractors for the Infrastructure Canada Program (ICP).

Applicants send their applications to these ministries, which are responsible for analyzing them and determining whether projects are eligible under the Agreement. Only eligible and priority projects, according to MAMROT's definition, are submitted in the form of fact sheets to the Agency's Infrastructure Directorate. Using these fact sheets, advisors analyze and examine these projects for compliance with the terms and conditions of Appendix A of the Agreement and of the Shared Information Management System for Infrastructure (SIMSI) while ensuring that the project meets the requirements of the Canadian Environmental Assessment Act. Before projects are entered into the Agreement, the fact sheets are signed by the federal Co-chair before being submitted for ministerial approval.

The Agreement also sets out an audit framework to provide independent and objective assurances regarding, among other things, the systems and procedures in place so that the program can be managed in accordance with the conditions of the Agreement.

Audit objectives

The objective of this audit is to provide assurance that the ICP is managed diligently and in accordance with established procedures. More specifically, the audit was intended to ensure that the processes for approving amendments to projects and for approving payments for the ICP were applied in accordance with the program's established processes.

Audit opinion

We are of the opinion that, while improvements are possible, the processes used to amend projects and carry out payments in the context of the ICP are managed effectively and reliably, and that the Agency is fulfilling its responsibilities appropriately under the Agreement.

Statement of Assurance

This internal audit was conducted in accordance with the Treasury Board Secretariat (TBS) *Policy on Internal Audit*. In our professional opinion, the audit procedures followed and the evidence gathered are appropriate and sufficient to support the accuracy of the conclusions in this report. The conclusions are based on an examination of the situations identified in light of the pre-established criteria that were agreed on with management. The evidence gathered is appropriate and adequate to assure senior management that the opinion of the internal audit is well founded.

Key controls for project amendments

The Canada-Quebec Framework Agreement states that any proposed major amendment to an ICP project must have been approved before December 31, 2008. One amendment (No. 4) to the Canada-Quebec Framework Agreement allowed the deadline for accepting major amendments to an ICP project to be extended to December 31, 2010. This amendment was signed on August 3, 2010, over four months after the audit period covered by this report (April 1, 2009 to March 31, 2010).

The Canada-Quebec Agreement does not define the expression “major amendment”. In the absence of such a definition, the federal-provincial Management Committee for the Agreement examined the issue in the past and decided the following regarding the definition of a major amendment: “Drawing a parallel with paragraphs 3.11(a) and (f) of the initial October 2000 version of the Agreement and referring to a decision dated March 23, 2004, we could interpret ‘major amendment’ as being an amendment to the nature, scale and/or scope of the work.” The Management Committee had also agreed that this type of amendment would be discussed on a case-by-case basis.

The Government of Quebec, which is the lead agency in delivering the ICP, submitted to the Agency two requests to amend projects. We audited the two files of requested project amendments. The amendments were considered to be and processed as being non-major under the interpretation adopted by the federal-provincial Management Committee of the Agreement.

The last point of control in the process of accepting amendments involving an increase in federal contributions is a letter from the provincial Co-chair to the applicant to inform the applicant that the amendment has been approved. A copy of this letter is used to document the project file. We did not find a copy of this letter in one project file.

Key controls for contribution payments

The compliance tests carried out on a sample of 17 files, which included 22 transfer payments from April 1, 2009, to March 31, 2010, revealed no deviations from key payment controls.

However, under paragraph 7.6(a) of amendment 2 of the Canada-Quebec Agreement, no claim for reimbursement by Quebec to Canada for ICP projects shall be paid by the parties unless it is received on or before March 31 of the year following the fiscal year in which the eligible cost is incurred and in all circumstances, no later than March 31, 2011. During our tests, we found that the Agency had made payments for claims received after March 31 of the year following the fiscal year in which the eligible costs were incurred.

The Agency's representatives indicated that the Canada-Quebec Agreement Management Committee had chosen to interpret 7.6(a) to the effect that the claims for payment could be reimbursed until March 31, 2011, even if they were received after March 31 of the year following the fiscal year in which the eligible costs were incurred.

Under the interpretation chosen and applied by the Management Committee, we conclude that there was no non-compliance regarding the date of submission of claims for payment.

Management expenses

The federal government reimburses 50% of Quebec's management expenses for the implementation of the ICP up to a maximum amount of \$5,042,240. We noted that the maximum eligible management expenses under paragraph 7.5(a) of the Agreement had not yet been met as of March 31, 2010. For the 2009-2010 fiscal year, the management expenses reimbursed to Quebec by the Agency were \$297,803.

In the 2009-2010 fiscal year, the Agency agreed that retroactive expenditures to improve MAMROT's computer systems would be billed to the ICP as Agreement management expenses that were refundable for the federal half. Several invoices for the professional services associated with the development of MAMROT's computer systems were partially billed to the ICP. The Agency reimbursed Quebec for \$149,884. The portion of costs assigned to the ICP varied from 49% to 97% of the total amount of each invoice made out to the MAMROT. No justification regarding the percentages billed appears in the management expenses file, and the invoices include very little information on the nature of the work performed.

To comply with reasonable practices for claims processing, the Agency should have obtained the necessary information on the basis of allocation of the computer systems improvement expenses and should have filed this information before paying for the claim. However, the risk of paying for inaccurate management expenses is reduced, because Quebec conducts an audit annually. Furthermore, the Canada-Quebec Agreement includes provisions to adjust management expenses if an error is found.

Suggestion:

When expenses incurred by Quebec for the development of its computer systems are charged to the ICP, the Agency should ensure that it obtains sufficient information on the nature of the work carried out and on the basis of allocation of the costs attributed to the ICP in order to comply with prudent management practices.

Budget controls

Our analysis of the key budget controls led us to find that they existed and were applied adequately throughout the audit period.

Risk management

The Agency conducts an annual audit of the program to ensure that the ICP is managed diligently and in accordance with established procedures. Furthermore, the Canada-Quebec Agreement states that an audit of the provincial ministries must be conducted to ensure compliance with the terms and conditions of the Canada-Quebec Agreement. This audit of program management

controls at the level of MAMROT and the MTQ has been carried out annually since the initial implementation of the program.

We were able to consult the audit reports of the MAMROT for the 2007-2008 and 2008-2009 years and received the Agency's assurance that an audit took place for 2009-2010; however, the results of this audit were unavailable at the time this audit report was finalized.

The Agency informed us that the MTQ had not conducted an audit for the 2009-2010 fiscal year because the projects for which it was responsible had been completely finished and that the funds attributed to this project had been almost completely disbursed.

Management information systems

The 2008-2009 audit report recommended that the Agency use management reports containing information on the status of progress and closure of projects to improve project follow-up and to better ensure that the projects are finished by March 31, 2010, the deadline indicated in the Canada-Quebec Agreement for completing the ICP projects.

Further to this recommendation, Agency representatives developed a report that lists the number of completed projects and the number of incomplete projects (i.e. those for which the Agency has not received the final claim), including whether the end-of-work date has been reached or exceeded. This report is periodically sent to MAMROT and is used during federal-provincial Management Committee meetings to follow up on files and to obtain project status updates. According to this report, 853 of 894 projects had been completed, and for 41 projects, the final claim had not been produced as of March 31, 2010.

Summary of recommendations

Further to the ICP audit results, we recommend that the Agency do the following:

- Obtain a copy of the missing letters confirming the approval of amendments and remind administrative personnel of the importance of having complete project files.

AUDIT SERVICES CANADA
Montreal, Quebec

1.0 INTRODUCTION

1.1 BACKGROUND

A total of \$2.65 billion in funding for the physical infrastructure program was set aside in the 2000 federal budget. On October 20, 2000, the Government of Canada and the Government of Quebec signed the Canada-Quebec Infrastructure Program Agreement (the Agreement). The federal government's contribution under the Agreement totals \$515,508,000, spread over a ten-year period.

As part of its commitment to maintaining and improving the quality of life of Canadians, the Government of Canada initially launched a six-year program. The program was subsequently renewed for two years on July 18, 2005, in order to provide a more realistic time frame, given the scope of the work. This program, the objective of which was to renew and improve Canada's physical infrastructure, will end on March 31, 2011, under amendment no. 4 of the Agreement. The federal government assumes approximately one third of the cost of the infrastructure projects; the other two thirds are assumed by the Government of Quebec, municipal governments and other proponents.

The Agreement provides for an audit framework intended to provide independent and objective assurance regarding the systems and procedures in place with a view to ensure that the program is managed in accordance with the terms and conditions of the Agreement.

Although Infrastructure Canada (IC) is also a signatory to the Agreement, the federal portion of the program is administered by the Canada Economic Development Agency for Quebec Regions (the Agency), Infrastructure Directorate, and the provincial portion is administered by the *ministère des Affaires municipales, des Régions et de l'Occupation du territoire* (MAMROT) and the *ministère des Transports du Québec* (MTQ). A management committee was set up to manage the Agreement. A federal Co-chair (the Director of the Agency's Infrastructure Directorate) and a provincial Co-chair (director of infrastructure at MAMROT) are the primary managers.

The provincial ministries are the principal contractors for the Infrastructure Canada Program (ICP). Applicants send their applications to these ministries, which are responsible for analyzing them and determining whether projects are eligible under the Agreement, meaning that the Agency has little direct contact with the claimants except for matters associated with the *Canadian Environmental Assessment Act* (CEAA).

Only eligible projects deemed to be priorities by the MAMROT are submitted to the Agency's Infrastructure Directorate, in the form of fact sheets. Advisors assess the projects based on the fact sheets and carry out a compliance review in accordance with the terms and conditions set out in Appendix A of the Agreement and the Shared Information Management System for Infrastructure (SIMSI), while ensuring that the project complies with CEAA requirements. Before the projects are listed in the Agreement, the fact sheets are signed by the Federal Co-chair, after which they are submitted for ministerial approval.

1.2 SCOPE OF THE AUDIT

The Agency's Internal Audit Branch (IAB) mandated Audit Services Canada to audit the internal control systems and procedures applied by the Agency's Infrastructure Directorate in Montreal.

Seven audits have already been conducted regarding this program. The last audit took place in November and December 2009 and concerned the period from April 1, 2008, to the end-date of the previous audit period, to March 31, 2009.

This audit took place from September 21 to December 21, 2010, and covered the period from April 1, 2009, the end-date of the previous audit period, to March 31, 2010. This audit included reviewing a summary of key controls, reviewing the project amendment and contribution payment processes, as well as examining project files. Three distinct steps were involved: first, applying compliance tests concerning project amendment controls; second, applying compliance tests concerning contribution payment controls; and third, analyzing budget controls and reporting of the ICP. Our audit follows up on previous audits.

In addition, reconciliations were carried out to compare the contribution amounts recorded for the program with the data available in SIMSI, as well as to compare program management fees recorded in the system with the information available in management-fee files.

1.3 AUDIT OBJECTIVES

The objective of the audit was to provide assurance that the ICP is being managed diligently and in compliance with established procedures. More specifically, the audit aims to ensure that the project amendment and contribution payment processes are applied in compliance with the processes established for the ICP by conducting compliance tests on a sample of files large enough to enable the auditors to form an opinion.

1.4 METHODOLOGY

The audit was conducted in accordance with the Treasury Board Secretariat's *Policy on Internal Audit*. The terms of reference included formal planning, a risk assessment, an audit program and a sampling plan. Meetings and discussions were held with the personnel responsible for this audit project at the Agency's IAB. Because the approach was associative, fact-finding was validated with the parties concerned.

The various steps of the project amendment processes and the contribution payment process were validated by the program director and corroborated with information contained in project files, as well as by means of reports generated by information management systems.

1.5 ACKNOWLEDGEMENTS

The audit team would like to thank those consulted during the audit, the management and staff members at the Agency in charge of implementing the ICP, as well as the staff of the IAB for their availability, cooperation and relevant comments

2.0 AUDIT RESULTS

2.1 MAIN STEPS OF THE CONTROL PROCESS

The following employees were on site and provided the Agency's Infrastructure Directorate with various services during the audit period:

- Director - Federal Co-chair of the Agreement Management Committee
- Two senior advisors
- Three project analysts (advisors)
- Three environmental advisors (Regional Coherence Branch)
- Two administrative services employees
- One administrative assistant
- Two or three communications advisors (Communications)

The main stages of the control process already outlined in the audits conducted from 2002 to 2009 for the ICP, meetings with program personnel and our review of the files led us to conclude that the process described in these audits was unchanged.

Procedure for project amendments

The project amendment procedure, as mentioned in previous reports, remains the same. Revised fact sheets already approved by the provincial co-chair are received from Quebec. Agency advisors then analyze the sheets using the SIMSI, and an amended commitment is entered in the system. The amendment analysis is signed by an advisor, reviewed by a senior advisor and approved by the director of the Agency's Infrastructure Directorate.

Based on the revised fact sheet, the environmental advisors determine whether or not the project is subject to the CEAA. If necessary, the applicant may be asked for a revised assessment. Once the assessment is completed, the advisors make their decision. A form for this purpose must be completed and approved by the director of the Infrastructure Directorate.

A briefing book on the project amendments is prepared for the minister's signature. The book is reviewed and signed by the Director of the Infrastructure Directorate, who also signs the provincial government's revised fact sheets as the Agreement's federal Co-chair. The briefing book, together with the revised fact sheets, is then sent to the federal minister responsible for the ICP for approval. Amendments resulting in an increase in costs must be approved by departmental authorities or by the Treasury Board of Canada, in accordance with the Treasury Board of Canada's delegation of approval authority grid, depending on the level of increase and the amount of the initial federal contribution to the project.

The documentation is then returned to the Infrastructure Directorate, and a letter from the federal Co-chair, along with the signed fact sheets, is sent to the provincial Co-chair, confirming the approval of the project by the federal authorities. The provincial Co-chair is responsible for notifying the applicant. Finalized commitments can then be recorded in the SIMSI.

Procedure for contribution payments

The provincial ministries submit claims for payment to the Agency. The documents submitted vary according to the ministry. The MAMROT sends the Agency's Infrastructure Directorate a "Claim Summary," which can cover one or more projects, together with a calculation of financial assistance to be paid for each project. The MTQ sends only a summary document indicating the amounts claimed. Before recommending payment, the Agency verifies that its share matches the amounts claimed, that the maximum amount of the federal contribution has not been exceeded, and that the project's environmental status allows for payment. Claims are approved by the federal Co-chair, after which the data can be entered in the Agency's financial systems.

Cheques are then issued directly to the Quebec Minister of Finance (and not to applicants) via Public Works and Government Services Canada (PWGSC).

2.2 KEY CONTROL POINTS

After interviewing the Agency employees involved in the management of the ICP and examining a significant number of project files, we were able to validate the operational process. Our audit enabled us to identify the following key controls for project amendments:

- The revised fact sheet approved by the provincial Co-chair is received to be listed in the Agreement;
- The revised fact sheet is assessed by the advisors;
- A senior advisor carries out a review;
- The assessment is approved by the Infrastructure Directorate Director;
- The amendment's impact with respect to the benefits of the project and its environmental impact, if any, are assessed;
- The application report, including the director's approval of the environmental advisor's decision, is prepared;
- The Briefing Book is signed by the federal Co-chair in the event of an increase in contributions;
- The federal Co-chair approves the revised fact sheet sent by the provincial Co-chair;
- Amendments involving an increase in cost are approved in accordance with the Treasury Board of Canada's delegation of authority;
- The federal Co-chair approves amendments resulting in lower costs or amendments with no financial implications;
- Amended commitments are entered in the SIMSI;
- The reasons for the amendment must be adequately documented and take into consideration financial aspects, the environmental impact, and the impact on the established work schedule;
- The revised fact sheet approved by the federal Co-chair is returned to the provincial Co-chair, along with a letter indicating the decision concerning the environmental assessment;

- An approval letter regarding the provincial Co-chair's review is sent to the applicant in the case of amendments resulting in an increase in costs.

Concerning contribution payments, the following key controls were identified:

- The calculation of eligible financial assistance form received from MAMROT or the MTQ, depending on the case, is examined;
- The provincial claim for payment is approved by the federal Co-chair;
- Compliance with environmental requirements is verified before payments are made;
- Payment limits are respected;
- Claim Summary amounts are verified;
- Payment claims are properly recorded.

Finally, concerning budget control, the following key controls were identified:

- A transfer from one component to another requires an amendment of the ICP Agreement with the approval of the authorities from both governments;
- In compliance with the requirements of section 32 of the *Financial Administration Act*, the Infrastructure Directorate ensures that approved project commitments do not exceed the funds allotted to the program;
- The Agency's Infrastructure Directorate maintains, by means of the SIMSI, a system of detailed multi-year commitments for all approved projects and provides information about commitments, expenditures and the free balance by fiscal year, upon request;
- A final accounting of expenditures is included in the Departmental Performance Report of the year in question.

2.3 SAMPLING

In accordance with the Agreement dated July 18, 2005, no new projects were approved during the period from April 1, 2009, to March 31, 2010, since subparagraph 3.11(a)(i) prohibits any new project approvals after December 31, 2008 for the ICP.

Project amendment files were examined first. The population consisted of two projects that were amended during the period from April 1, 2009, to March 31, 2010. We examined the two amendments.

In terms of approval of contribution payments, the sample is made up of all of the projects for which payments were carried out during the period from April 1, 2009, to March 31, 2010, namely 42 files with a total payment amount of \$11,734,771. The sample included all of the projects for which payments exceeded \$200,000; thus, 17 projects were selected, representing over 83% of the total amounts paid during this period. This method favours high-value transactions over low-value transactions, which provides better coverage of the risks associated with contribution payments.

There were no project withdrawals from April 1, 2009, to March 31, 2010.

2.4 KEY CONTROLS FOR PROJECT AMENDMENTS

The Canada-Quebec Framework Agreement states that any proposed major amendment to an ICP project must have been approved before December 31, 2008.

An amendment (no. 4) to the Canada-Quebec Framework Agreement allows the deadline for accepting major amendment to an ICP project to be extended to December 31, 2010. This amendment was signed on August 3, 2010, over four months after the period covered by this report (April 1, 2009, to March 31, 2010).

We observed that the Canada-Quebec Agreement does not include a definition of the expression “major amendment”. In the absence of such a definition, the federal-provincial Management Committee for the Agreement examined the issue in the past and decided the following regarding the definition of a major amendment: “Drawing a parallel with paragraphs 3.11(a) and (f) of the initial October 2000 version of the Agreement and referring to a decision dated March 23, 2004, we could interpret ‘major amendment’ as being an amendment to the nature, scale and/or scope of the work.” The Management Committee had also agreed that this type of amendment would be discussed on a case-by-case basis.

The Government of Quebec, which is the lead agency in delivering the ICP, submitted to the Agency two requests to amend projects. We audited the two files of requested project amendments. The amendments were considered to be and processed as being non-major under the interpretation adopted by the federal-provincial Management Committee of the Agreement.

The last point of control in the process of accepting amendments involving an increase in federal contributions is a letter from the provincial Co-chair to the applicant to inform the applicant that the amendment has been approved. A copy of this letter is used to document the project file.

We did not find a copy of this letter in one project file.

Recommendation

We recommend that the Agency obtain copies of the missing letter confirming the approval of amendments and remind administrative personnel of the importance of having complete project files.

2.5 KEY CONTROLS FOR CONTRIBUTION PAYMENTS

The compliance tests carried out on a sample of 17 files, which included 22 transfer payments from April 1, 2009, to March 31, 2010, revealed no deviations from key payment controls.

However, under paragraph 7.6(a) of amendment 2 of the Canada-Quebec Agreement, no claim for reimbursement by Quebec to Canada for ICP projects shall be paid by the parties unless it is received on or before March 31 of the year following the fiscal year in which the eligible cost is incurred and in all circumstances, no later than March 31, 2011.

During our tests, we found that the Agency had made payments for three claims received after March 31 of the year following the fiscal year in which the eligible costs were incurred.

The Agency’s representatives indicated that the Canada-Quebec Agreement Management Committee had chosen to interpret 7.6(a) to the effect that the claims for payment could be

reimbursed until March 31, 2011, even if they were received after March 31 of the year following the fiscal year in which the eligible costs were incurred.

Under the interpretation chosen and applied by the Management Committee, we conclude that there was no non-compliance regarding the date of submission of claims for payment.

2.6 MANAGEMENT EXPENSES

In the context of this audit, we examined the management expenses billed to the ICP by Quebec without auditing the validity of the amounts claimed, since the federal representatives do not have access to the original supporting documentation or to the MAMROT's accounting data. Only copies of supporting documentation are filed in the management expenses files. However, our examination allows us to make a few observations and a suggestion.

The federal government reimburses 50% of Quebec's management expenses for the implementation of the ICP up to a maximum amount of \$5,042,240. We noted that the maximum eligible management expenses under paragraph 7.5(a) of the Agreement had not yet been met as of March 31, 2010. For the 2009-2010 fiscal year, the management expenses reimbursed to Quebec by the Agency were \$297,803.

In the 2009-2010 fiscal year, the Agency agreed that retroactive expenditures to improve MAMROT's computer systems would be billed to the ICP as Agreement management expenses that were refundable for the federal half. Several invoices for the professional services associated with the development of MAMROT's computer systems were partially billed to the ICP. The Agency reimbursed Quebec for \$149,884. The portion of costs assigned to the ICP varied from 49% to 97% of the total amount of each invoice made out to the MAMROT. No justification regarding the percentages billed appears in the management expenses file, and the invoices include very little information on the nature of the work performed.

To comply with reasonable practices for claims processing, the Agency should have obtained information on the basis of allocation of the computer systems improvement expenses and should have filed this information before paying for the claim. However, the risk of paying for inaccurate management expenses is reduced, because Quebec conducts an audit annually. Furthermore, the Canada-Quebec Agreement includes provisions to adjust management expenses if an error is found.

Suggestion:

When expenses incurred by Quebec for the development of its computer systems are charged to the ICP, the Agency should ensure that it obtains sufficient information on the nature of the work carried out and on the basis of allocation of the costs attributed to the ICP in order to comply with prudent management practices.

2.7 BUDGET CONTROLS

Our analysis of the key budget controls led us to find that they existed and were applied adequately throughout the audit period.

2.8 OTHER FINDINGS

2.8.1 RISK MANAGEMENT

According to the memorandum of understanding between IC and the Agency, the Agency's representatives, as the federal members of the Management Committee, are responsible for applying the Agreement's audit framework. The Agency is responsible implementing effective and efficient controls to promote sound management of contribution agreements associated with the ICP. The Agency's operations sector is responsible for implementing these controls in order to ensure adequate management of the program. The Agency's IAB provides risk management through the three-year Risked-Based Audit Plan for all of the Agency's programs. In this respect, an internal audit is conducted annually to provide assurance that the ICP is being managed diligently and in accordance with established procedures.

At the provincial level, risk management and compliance with the terms and conditions of the Canada-Quebec Agreement are required of the management of all provincial ministries concerned, but primarily of the MAMROT, which is responsible for the majority of the management controls and risk management associated with this program. In this context, it is planned that an external auditor will be appointed under the Canada - Quebec Infrastructure Program Agreement and that this auditor will conduct an annual audit based on the internal audit work of the ministries concerned. The external auditor's objective is to ensure the adequacy of the systems and procedures put in place for managing the program and the adequacy of the project control and claim verification system.

This audit, commissioned by the Agency's IAB, includes a requirement to ensure that the Canada-Quebec Agreement was audited at the level of the provincial ministries before it can express an opinion on the program's management controls overall.

We were able to consult the audit reports of the MAMROT for the 2007-2008 and 2008-2009 years and received the Agency's assurance that an audit took place for 2009-2010; however, the results of this audit were unavailable at the time this audit report was finalized.

The Agency informed us that the MTQ had not conducted an audit for the 2009-2010 fiscal year because the projects for which it was responsible had been completely finished and that the funds attributed to this project had been almost completely disbursed.

2.8.2 MANAGEMENT INFORMATION SYSTEMS

The 2008-2009 audit report recommended that the Agency use management reports containing information on the status of progress and closure of projects to improve project follow-up and to better ensure that the projects are finished by March 31, 2012, the deadline indicated in the Canada-Quebec Agreement for completing the ICP projects.

Further to this recommendation, Agency representatives developed a report that lists the number of completed projects and the number of incomplete projects (i.e. those for which the Agency has not received the final claim), including whether the end-of-work date has been reached or exceeded. This report is used periodically at the MAMROT and is used during federal-provincial Management Committee meetings to follow up on files and to obtain project

status updates. According to this report, 853 of 894 projects were completed and, for 41 projects, the final claim had not been produced as of March 31, 2010.

3.0 ACTION PLAN			
Recommendation	Management response	Action plan implementation	Deadline
We recommend that the Agency obtain a copy of the missing letter confirming the approval of amendments and remind administrative personnel of the importance of having complete project files.	In order to improve our practices, we will produce a checklist to be used to ensure that the relevant documentation is on file.	Finished We obtained the letter confirming the approval of amendments and have placed it in the project files. A reminder was also issued to administrative personnel and advisors.	N/A