

Audit of Grants
and Contributions
Classes 301, 302, 304 & 305

Audit and Evaluation Branch

Report Clearance Steps

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Acronyms used in the report

EC	Environment Canada
FAA	<i>Financial Administration Act</i>
G&C	Grants and Contributions
OGD	Other Government Departments
TBS	Treasury Board Secretariat

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Executive Summary

This report is based on findings resulting from a review of 54¹ grant and contribution agreements, out of a total of 350, related to four of EC's five Grants & Contributions (G&C), classes for the fiscal year 2000-2001. The fifth class of Contributions was audited in 2001. The objectives of this audit included a review of the appropriateness of the Department's management control framework for the four G&Cs classes and an assessment of the performance of the Department in meeting policy and legislative requirements regarding transfer payments.

The audit found that for both grants and contributions, funds were being directed to eligible recipients for appropriate projects in terms of the objectives of the relevant classes. For contributions, the audit also determined that the projects were completed in accordance with the terms and conditions of the contribution agreements.² At the same time, the audit found weaknesses in managers awareness of the requirements associated with grants and contributions as well as weaknesses in some areas of the management control framework³.

Specifically, the audit found:

- About half of program managers sampled that administer grant and contribution agreements were not aware of either the G&Cs policy and legislative requirements or the EC's *Managers' Guide to Grants and Contribution*. This was more typical for managers new to using grants and contributions. (They relied on Financial Services to guide them through the process and to know what was required.)
- All agreements in the sample were approved at a level consistent with the levels established under the terms and conditions approved for Environment Canada's Classes of G&Cs. Requirements for the approval of payments (sections 34 and 33 of the *Financial Administration Act* and the department's Delegated Signing Authorities) were met in all but one instance. However, while all but one file was compliant with the requirements for section 34 sign off for payments, a variety of approaches was used and not all made it easily apparent that section 34 requirements had been met.
- While recipients and projects fell within the eligibility criteria for the associated class of grants or contributions, the rationale for providing funding to a particular organisation for specific purpose was not always clearly documented in terms of its contribution to the goals and objectives of a program.

¹ 57 files were reviewed. Of these, three (3) were deemed to be out of the scope of this audit. In one case, the agreement had been audited as part of a recent program audit. The other two were ECs contribution to federal funding provided under agreements administered by OGD.

² The Treasury Board Transfer payment policy restricts the assessment associated with funding grants to eligibility of recipients and proposed projects. Consequently, project execution and outcome cannot be assessed.

³ The Management Control Framework defined for this audit included: understanding of G&Cs policy and objectives, program management, G&Cs selection process, payouts and disbursements, monitoring and audit and evaluation.

- There was no consistent approach or strategy for monitoring the progress of projects, for assessing risk, or for linking project results to program and subsequently to business line objectives.
- Out of the 54 agreements reviewed, there were four instances where final payment was made but no final report was on file. In three cases, there was a report but it or reference to it had been omitted from the file. In another instance, the interim reports provided evidence of 90% completion of the project and the interview with the relevant manager confirmed that the whole project had been successfully completed.
- EC is aware of the total amount of G&Cs expenditures, but would be challenged to identify the number of G&Cs administered under each of the business lines or report on the potential effects these expenditures have in meeting and/or not meeting the business lines' stated objectives. This, in effect, makes it challenging for the Department to report appropriately at a strategic level.

There is a clear need to improve training and awareness as well as to make the project selection process more transparent, improve project monitoring and records keeping, improve access to financial information relative to specific agreements, as well as to make more visible the linkage between grants and contributions and the realisation of program and business line goals and objectives.

The risks associated with these findings are:

- Without a clear awareness and understanding of the requirements by managers handling funding agreements, Environment Canada cannot be assured that all aspects of each G&Cs are consistently administered in accordance with requirements;
- Without a transparent process across all G&Cs for selecting recipients and a protocol for monitoring projects, the department cannot be assured it has selected the most appropriate candidate to undertake a project, nor can it be assured that it is aware of and has taken all reasonable steps to address risk and ensure the achievement of results; and
- The project objectives were consistent with the objectives of the classes and therefore contributed to the departmental objectives. However, without more concise linkages for each transfer payment initiative to its parent program's objectives, the connection can only be made at a very high and very broad level. The department cannot clearly measure the benefits that individual agreements make to program and business line objectives and therefore cannot reasonably determine the specific contribution that funding provided under these four classes of G&C's are making to overall departmental objectives.

Detailed findings are under "Audit Findings" in Section 2.0.

Recommendations

Based on the findings of the audit **it is recommended that: the Financial Services Directorate** in fulfilling its role of providing functional guidance to managers on the administration of funding agreements:

- improve the consistency of G&Cs training, especially for managers new to the transfer payment process; and
- improve the administration of G&Cs including: enhancing the level of assurance that G&Cs selection is in line with the TBS Policy on Transfer Payments; developing a department-wide approach for monitoring G&Cs projects; and improving the capability to track and query payments made under specific agreements.

Management Response

- Many of the recommendations made in this audit have already been addressed through the revised Manager's Guide to Grants & Contributions. However, because of the particular challenges posed by the "users"⁴ of transfer payments, EC recognizes that managers who do not regularly use G&C agreements will always have a knowledge gap. To impose additional expectations on them would not be reasonable. In an effort to narrow this gap, however, the following training methodology will be continued:
 - A. Provide G&C tools and training to optimize managers' understanding and knowledge base; and
 - B. Provide easy access to well-informed and up-to-date financial advisors who can ensure policy compliance and add process consistency.

All managers will have easy access to information on managing G&C agreements through specialized training, an Intranet site with electronic tools and forms, and personal assistance from the financial advisors. Delegated managers routinely rely on their financial advisors to provide the required expertise before exercising their authority to enter into agreements. Thus, it is most critical that the financial advisors keep current with new policies and available tools. Tools are updated regularly to assist the financial advisors in advising managers on the preparation and administration of agreements; other tools are being developed to assist Financial Officers in monitoring the use of the G&C authority.

In addition to the tools mentioned above, tailored "train-the trainer" sessions will be given to relevant Financial Officers which will include, among other topics, extensive training in managing G&C agreements. This training will equip financial advisors to address the ever-growing innovative and partnering challenges raised by managers.

- The Manager's Guide to G&C was revised and reissued in January 2003 in an effort to address requirements for due diligence in the G&C selections and award process.

⁴ Sporadic and low usage of G&C agreements, especially by any one individual, is unavoidable at EC. Across the country, a large proportion of G&C users manage no more than four agreements per year. These managers are generally scientists who require a flexible tool to achieve their research-related goals. These individuals are not solely devoted to the management of G&Cs and turnover adds to the problem of the knowledge gap. This means that managers cannot become nor can they justify becoming experts in this field making universal consistency in training unrealistic.

These revisions to the Guide provide clarity on the process and procedures and on the respective roles and responsibilities of all parties involved. The template in Appendix G - Class Grant and Contribution Approval - specifically requires that the approval process for selecting the recipient be described including the material against which the recipient was evaluated and under what circumstances others would be considered. The mandatory G&C Agreement Management Checklist clearly identifies the requirement to document “the process and criteria the manager used to evaluate the effectiveness of the proposed activities in meeting the stated results, and in meeting departmental objectives”, to ensure that the manager’s choice of recipient is rational and transparent. These tools will contribute to the level of assurance that G&Cs are being awarded and administered in line with TB policy.

- In January 2003, it became mandatory for managers to use the G&C Agreement Management Checklist. This tool was developed to assist managers in developing a “consistent approach and strategy for monitoring the progress of projects, for assessing risk, and for linking project results to program and subsequently to business line objectives.” This obligation is also being continuously reinforced by financial advisors and will now be part of the training.

The G&C Management Monitoring Plan detailing the documentation required for each agreement file has recently been developed. The use of this Plan will ensure that the agreement has met the requirements of the Transfer Payment Policy and that the risk of non-compliance and overpayments is minimized.

- Corporate Finance agrees with the recommendation of the audit that the existing G&Cs database may require improvement and is in the process of reviewing the functionality of existing financial system modules (Merlin) to enhance the tracking and querying capabilities.

It is also suggested that Financial Services consider instituting a common approach to section 34 sign off for G&Cs that would simplify training, and enhance consistency and records keeping.

Management Response

- Financial Planning, in collaboration with Financial Policy Systems and Accounting and regional accounting managers, will develop a procedure to ensure a more consistent approach to section 34 for G&C payments across EC. These procedures will require uniformity in coding while ensuring that the required reports have been submitted and reviewed prior to payment initiation. The mandatory use of the G&C Agreement Management Checklist will also assist managers in documenting and justifying the payment by recording results achieved through the contribution and the criteria used to evaluate the results.

The G&C training and Management Monitoring Plan will provide assurance that the Checklist is being used consistently and appropriately and that all information is maintained on the G&C file.

The creation of a Corporate Centre of Excellence that would provide functional direction on policy and accountability issues is also being explored.

It is also **recommended that: Corporate Planning and Reporting**, in its capacity of providing guidance to the department on planning and reporting, assist business lines to: implement a process to clearly align G&Cs results with business line objectives.

Management Response

- The current reporting of transfer payments in the Department's Report on Plans and Priorities provides sufficient disclosure of planned results given the level of materiality of the transactions involved. The current level of disclosure reports the nature of planned results and references the relevant Business Line. Disclosure of the actual results achieved relative to planned commitments could be enhanced in the Departmental Performance Report. This increased level of disclosure will be feasible after the development and implementation of the Accountability and Risk Framework currently being finalized for "class" contribution arrangements.

The current coding structure links individual transactions with the activities that consumed those resources. These activities are subsequently linked to the key results achieved. While this coding structure ensures ongoing alignment of resources to outcomes, standard financial controls and the tools provided to assist in the management of G&Cs further refines the level of detail that can be reported. Such tools include the following:

- The Class Grant and Contribution Approval form requires that the manager “describe the proposed plan for ensuring the funding will further program objectives and meet departmental business line results”;
- The G&C Agreement Management Checklist requires that the manager include “documentation indicating the process and criteria the manager used to evaluate the effectiveness of the proposed activities in meeting the stated results, and in meeting departmental objectives”; and,
- The G&C training and the Monitoring Plan will ensure that managers complete the approval form and checklist and therefore have all the required information documented to support the results achieved.

This audit, along with the one conducted for the 303 class of contributions, provides a baseline of information on which to assess improvements and progress in the management of class G&Cs in the department. In response to the recommendations of the 2001 audit for the 303 class of contributions, as well as in response to expressed needs of the financial and management communities, a number of improvements have already been made to the original Managers Guide to provide more specific guidance on choosing between a contract and a contribution, selecting recipients, and the requirements surrounding the development and the management of agreements. As well other changes have been implemented in the

management approach for G&Cs to improve its effectiveness. A more detailed picture of improvements to the departmental management of G&C's may be found in the management Response to this audit's recommendations.

1.0 Introduction

1.1 Background

According to the Treasury Board Secretariat (TBS) policy on Transfer Payment, Grants and Contributions (G&Cs) are defined as “transfers of money, goods, services or assets made from an appropriation to individuals, organisations or other levels of government without the federal government directly receiving goods or services in return.”⁵ Transfer payments are used as a means to further federal government policy and program objectives.

In fiscal year 2000-2001, Environment Canada had a G&Cs budget of \$64.6 million, representing about 10% of the Department’s budget.

Funding for G&Cs is provided through five classes and a number of issue specific programs/initiatives. In fiscal year 2000-2001, funding within the five classes amounted to \$31.3 million and accounted for 48.5% of EC’s total G&Cs budget.

Each class has a set of terms and conditions, approved by the TBS. Recipients and project proposals must meet these criteria before the funding, grant or contribution, may be awarded. The terms and conditions for each class of G&Cs explicitly state the objective of the class as well as identifying categories of recipient groups and individuals who may apply for funding and the maximum amount of funding that can be awarded. In addition to other standard terms and conditions, each class, except where the transfer payment is in the form of a grant⁶, also includes audit and evaluation requirements.

1.2 Scope and Objectives

The four classes covered by this audit are:

301– Grants to Support Environmental Research and Development;
302– Contributions to Support Environmental Research and Development;
304– Contributions to Increase Awareness and Understanding of Environment and Sustainable Development Issues; and,
305– Contributions to Support Canada’s International Commitments

Class 303– Contributions to Support Environment and Sustainable Development Projects was covered by an audit conducted in 2001.

⁵ TBS policy on Transfer Payments, June 2000.

⁶ As per the June 2000 TBS Transfer Payment Policy: A grant is defined as a transfer payment made to an individual or organisation which is not subject to being accounted for or audited but for which eligibility and entitlement may be verified or for which the recipient may need to meet pre-condition. A contribution is a conditional transfer payment to an individual or organisation for a specified purpose pursuant to a contribution agreement that is subject to being accounted for and audited.

The intended result of the this audit was to determine:

- The appropriateness of the Department’s Management Control Framework for grant and contribution agreements within the four classes of G&Cs; and,
- The performance of the Department in meeting policy and legislative requirements regarding transfer payments.

A more detailed description of the Scope and Objectives of the audit may be found in Appendix A.

The audit focused on a sample of grant and contribution agreements representing four classes of G&Cs. The sample selection methodology is noted below.

Selection Criteria	Description
Value	All G&Cs over \$200,000 were selected. A random representative sample of lower dollar value G&Cs were selected.
Number of contribution agreements	A selection targeting 15% of EC’s G&Cs. A total of 57 G&Cs were selected.
Recipient	G&Cs representing all possible eligible recipient groups were included.
Geographic Coverage	G&Cs representation from headquarters and other regional offices.
Classes	Selection of G&Cs Agreements from all four classes.
Complexity	G&Cs that are more complex in nature.

Please refer to Appendix A for a complete overview of the approach and methodology employed in completing this audit.

2.0 Audit Findings

The following findings are based on a series of interviews and file reviews representing 54⁷ of EC's G&Cs out of an approximate total of 350 for fiscal year 2000-2001. The interviews were conducted between April 2002 and June 2002 and included site visits to offices in the National Capital Region, Toronto and Atlantic Region. Twenty eight managers and financial advisors were interviewed for this audit.

Please refer to Appendix B for a complete list of files reviewed.

2.1 Management Control Framework and Meeting Requirements

2.1.1 Training, Awareness and Support

Issue

There is variability in the training and support available to managers and consequent variability in the awareness among managers of policies and requirements associated with managing grants and contributions.

Findings

- EC has developed a number of support mechanisms available to those who manage contribution agreements – web sites, training and a draft Managers' Guide that outlines the legislative and policy requirements for administering G&Cs as well as providing process guidance and tools. However, despite the availability of information and materials, we observed that program managers did not always familiarise themselves with this information and a gap in knowledge exists between the project manager administering the G&Cs and those who support the manager. The knowledge gap is more evident in areas where managers are new to the transfer payment process or undertake transfer payments infrequently. At the operational level, the degree of penetration and awareness of the Manager's Guide is limited. For example, only about half of interviewees were aware of the Manager's Guide.⁸ In general, it was found that managers in executive positions and Finance/Administrative officers were more aware of the Manager's Guide.
- Relative to the pre-agreement phase, there was evidence that some managers were also unaware of when to use a contract versus a grant/contribution. However, as is the case for G&Cs related questions, managers interviewed acknowledged Finance and Administration Officers as being reliable resources. Eleven managers (39% of managers

⁷ 57 files were reviewed. Of these, three (3) were deemed to be out of the scope of this audit. In one case, the agreement had been audited as part of a recent program audit. The other two were ECs contribution to federal funding provided under agreements administered by OGD.

⁸ The audit team interviewed 28 managers. Part of the interview consisted of questions regarding the manager's familiarity with information about G&Cs. Half, when asked specifically about their familiarity of G&Cs procedures, responded they were not familiar with the procedures.

interviewed) indicated they rely on their Finance and/or Administration Officer for assistance when they are unsure of what action to take.

- Although some branches have held information sessions for managers, there is not a consistent or standard approach for the dissemination and communication of G&Cs information. Audit observations indicate training availability varies from branch to branch.
- While the Managers Guide is intended for use by all managers, the Science Horizons program has developed its own operations guide to assist managers in drafting grant and contribution agreements. This document is widely known and all managers of Science Horizons agreements interviewed referenced it as a procedures manual. However, while the Science Horizons manual provides guidance on drafting agreements, like the G&Cs Managers Guide, beyond the recipient eligibility criteria associated with the program it does not provide any guidance on or processes for evaluating or selecting recipients.

2.1.2 Managing the G&C Process and Meeting Requirements

Selection Process

Issue

The TBS policy on Transfer Payments stipulates that departments must establish policies and procedures to ensure that due diligence is exercised in the selection and approval of recipients of transfer payments and in the management and administration of the programs. Where policies and procedures are not evident, the Department cannot be assured that the selection and approval of G&Cs is exercised in accordance with the TBS policy on Transfer Payments.

Findings

Public Awareness of Funding Process

- In general, there is limited transparency in the G&Cs selection and awarding process because these are for the most part directed grants and contributions.
- While some groups, such as Science Horizons, publicly advertise their programs on an annual basis, other groups automatically renew existing G&Cs agreements on an annual basis. While this may be based on a particular recipient being able to bring a unique set of skills to a given undertaking, the rationale behind the re-selection of that particular recipient should have been evident. Examples of this are: the contribution agreement for the Canadian Environmental Network; the contribution agreement with Ducks Unlimited and the contribution agreement with the Fur Institute of Canada.

Selection

- While not referenced in the Science Horizons manual and not uniform in approach, the audit team found that the Science Horizons program had established committees for evaluating and selecting candidate projects. However, no other official awarding processes were identified nor was there any evidence of the evaluation of potential risk in the selection of recipients and projects.

- During the audit, the audit team learned that the 28 managers interviewed administer anywhere from one to several agreements. Those who managed several agreements or had previous experience with transfer payments were more familiar with the selection requirements. While the specialised research that is often funded may justify direct contributions, EC must still ensure that there is transparency in the selection process, (in accordance with Transfer Payment Policy requirements), and that managers of G&Cs are able to demonstrate their reasons for selecting particular organisations.

Administration of Agreements

Accountability

Issue

The Treasury Board approved terms and conditions for Environment Canada's Classes of G&Cs stipulate the organisational level that may approve contributions depending on the dollar value of the agreement. All agreements in the sample were approved at a level consistent with the levels established under the terms and conditions approved for Environment Canada's Classes of G&Cs.

Section 34 of the *Financial Administration Act* (FAA) outlines the framework for certifying the receipt of goods or services provided to the federal government before payment should be made. Only one file held no evidence of section 34 sign off. All others met the requirement but the approach was variable.

Findings

- While the terms approved by Treasury Board (TB) for the classes stipulate the level of authority required to approve a grant or contribution, they do not specify the form it should take. Therefore, agreements signed at a level of departmental authority that is consistent with the TB terms and conditions are deemed to have met the approval requirements. In a few instances, for agreements signed later in the fiscal year in question, separate approval forms may be found on file. This is a result of improvements in administrative process for G&Cs made through revised guidance provided in the Departmental Manager's Guide for Grants and Contributions requiring a separate approval (signed at the appropriate level) to enter into a transfer payment agreement.
- Of the 54 files reviewed that were within the scope of the audit, one file did not include certification of the supply of the services (as witnessed by the signature of a EC employee certifying the receipt of the services). However, the file included evidence that the terms and conditions of the agreement were met and the lapse was one of process only.
- It is important to note that while all files with section 34 sign off were compliant with the Departmental Signing Authority, there was no standard approach. In some instances there was a section 34 stamp with signatures, in others, a signature and financial code on the invoice and in still others a separate signed memo outlining the details of the payment. Not all approaches make it immediately evident that section 34 requirements have been met.

- Section 33 authorisation for payment is provided to invoices on a batch basis. The confirmation that a particular invoice has been section 33 approved may be found in the department's financial data base.

Monitoring Projects

Issue

There is no risk based framework for monitoring projects. Managers do not monitor projects for compliance with the terms and conditions of the grant or contribution in a consistent manner and do not always record the monitoring that is done.

Findings

- During the project phase, monitoring when conducted, is generally accomplished via phone, e-mail and face-to-face meetings. While managers often include e-mail correspondence in their files, it is rare that a manager formally records and tracks phone and face-to-face conversations.
- In the case of G&Cs reviewed under the Science Horizons project, managers usually have a mentor watch the progress of the project from afar, however, the mentors do not document their findings. Where serious issues were discussed and/or resolved, project managers disclosed they would include memos outlining the issue and its resolution in the project file.
- Most of the 28 managers interviewed consider reviewing progress reports and final reports as sufficient monitoring. Other monitoring is only usually done in situations where a problem has arisen.
- There is no structured approach to monitoring projects within the context of risk.

Records Management

Issue

The Department cannot be assured over time that, based on project records, all requirements have been appropriately met or of continuity of corporate knowledge and record keeping. For example, four of the files were missing and or missing reference to either final or interim reports that were a requirement of the contribution agreement.

Findings

Knowledge Management

- In most cases, managers maintain their own set of files for the grant or contribution agreement for which they are responsible. When a manager relocates, his/her G&Cs files are often hard to trace. As a result it is often difficult to find all of the information related to a specific file in one place.

Incomplete Documentation

- Out of a sample of 54 agreements, there were four instances where final payment was made but no final report was on file. In three cases, there was a report but it or reference to it had been omitted from the file. In another instance, the interim reports provided evidence of 90% completion of the project and the interview with the relevant

manager confirmed that the whole project had been successfully completed but this was not documented on file.

Good File Management Practices

- Files for Science Horizons projects from the Atlantic Region contained a checklist identifying background information for the file and documenting the progress of the project. This could usefully serve as a model for other G&C projects to quickly identify project status and necessary file contents.

Financial System Support

Issue

The corporate financial database existent at the time of this audit did allow the identification of individual payments but could not group payments under the transfer payment agreement to which they belonged.

Findings

- While individual managers have a picture of how many transfer payments exist within their program and the value of each, the corporate financial database yields information on the basis of payments but does not group payments under associated agreements making it difficult, using this tool, to determine exactly how many agreements the department was involved in during the year covered by this audit.

2.1.3 Linking Results with Business Line Objectives

Issue

EC can link project results to the objectives of the Classes that are in turn intended to meet departmental objectives. However, without more concise linkages for each transfer payment initiative to its parent program's objectives, the connection can only be made at a very high and very broad level. The department cannot clearly measure the benefits that individual agreements make to program and business line objectives and therefore cannot reasonably determine the specific contribution that funding provided under these four classes of G&C's are making to overall departmental objectives.

Findings

The TBS policy on Transfer Payments stipulates that departments must establish policies and procedures for G&Cs to ensure that a results-based management and accountability framework is prepared to provide for appropriate measuring and reporting of results. The department seeks authority to fund grants and contributions on the basis of a class approach and the projects seeking funding must meet the broad objectives of a given class. However, the department uses its four business lines (Clean Environment; Nature; Weather and Environmental Predictions; and, Management, Administration and Policy) to provide a framework for internal accountability and management as well as external reporting and the grants and contributions must contribute to the goals of this framework as well as to Ministerial priorities.⁹

⁹ Environment Canada's Performance Report for the period ending March 31, 2001.

Lack of Linkage

Although the scope of the audit did not include identifying whether G&Cs for 2000-2001 met departmental business line objectives, the audit team did look for an accountability and reporting regime at the G&Cs project level that includes: a clear link to business line objectives; an accountability framework; a results based management system; and a reporting mechanism.

- While informal processes addressing the issues above exist within the Department, no formal systems or approaches were found. Additionally, observations indicate a gap in linking selection and reporting processes to business line goals. Currently, EC is aware of the total amount of G&Cs expenditures, but would be challenged to identify the number of G&Cs administered under each of the business lines or report on the potential effects these expenditures have in meeting and/or not meeting the business lines' stated objectives. This, in effect, makes it challenging for the Department to report appropriately at a strategic level.

3.0 Conclusion

In general, the audit findings identify that there is evidence that both recipients and projects are being selected within the terms and conditions of the grant and contribution classes and that the outcomes of the projects are being achieved. There is also evidence that many good administrative practices are being followed for the majority of grants and contributions that were reviewed for this audit. At the same time, lack of awareness and understanding of the G&Cs process on the part of some managers is leading to weaknesses in some areas of the management control framework¹⁰ and there is a clear need to provide more guidance and training and to establish consistent practices in the areas of recipient/project selection, payment approvals, project monitoring and records keeping, as well as improve the capacity to link payments to agreements; and to make more visible the linkage between grants and contributions and the realisation of program and business line goals and objectives.

¹⁰ The Management Control Framework defined for this audit included: understanding of G&Cs policy and objectives, program management, G&Cs selection process, payouts and disbursements, monitoring and audit and evaluation.

Appendix A - Audit Objectives, Scope and Methodology

Objective

The objective of this audit was to review the appropriateness of the Department's Management Control Framework for the four G&Cs classes and the performance of the Department in meeting policy and legislative requirements regarding transfer payments.

Scope

The scope of this audit included conducting file reviews and interviewing managers responsible for G&Cs. This covered approximately 15% of EC's G&Cs. Interviews were conducted with managers for all four classes of grants and contributions.

It should be noted that the majority of files reviewed had commenced prior to the release of the current TBS Transfer Payment Policy in June 2000.¹¹ Thus only about 15% of the agreements (8 of the 54 G&Cs) were assessed against the requirements of the new TBS policy. Major changes to the TBS policy as a result of the 2000 update include:

- *Repayable contributions* – where a contribution is made to a business and is intended to allow the business to generate profits and/or increase the value of the organisation, the business is required to repay the contribution or to share the resulting financial benefits with the Department (with whom the contribution agreement is signed) in addition to its sharing of the risk.
- *Stacking of Assistance* – where the G&Cs are in excess of \$100K, a recipient must provide a statement to the department of other sources of potential funding.
- *Third Party Delivery* – formalization of the relationship between departments and third party contractors whereby the contractor may administer, manage or deliver a grant or contribution program, but the department remains responsible for the grant or contribution agreement (signing and payment).

Where applicable (where G&Cs are signed prior to September 2000) the audit focused on compliance with the 1996 policy; however, overall recommendations are made in line with the new policy for future improvements.

¹¹ Environment Canada received Treasury Board agreement that the new June 2000 policy would not take effect in the department until September 2000, hence only G&Cs authorized after September 2000 would have to follow the new TBS policy on Transfer Payments. The signing date of the agreement was viewed as the date of authorization.

Appendix B - List of Contribution Agreement Reviewed

Class	Grant or Contribution Agreement	Amount of Contribution	TBS Transfer Payment Policy ⁺	Interview conducted	File review conducted
304	Canadian Energy Research Institute	\$ 23,600	1996	Yes	Yes
304	International Institute for Sustainable Development	\$ 200,000	2000	Yes	Yes
302	Fur Institute of Canada	\$ 367,000	1996 ^{**}	Yes	Yes
304	Federation of Ontario Naturalists	\$ 8,000	1996	Yes	Yes
304	Grand River Conservation Authority	\$ 10,000	1996	Yes	Yes
304	Ontario Heritage Foundation	\$ 18,000	1996	Yes	Yes
304	Bird Studies Canada	\$ 9,000	1996	Yes	Yes
302	Pacific Northwest National Laboratory	\$ 10,000	1996	Yes	Yes
302	University of Victoria	\$2,500,000	1996	Yes	Yes
304	OCETA	\$ 60,000	1996	Yes	Yes
304	Canadian Institute for Climate Studies	\$ 12,000	2000	Yes	Yes
304	University of British Columbia	\$ 12,000	2000	Yes	Yes
304	University of Calgary	\$ 12,000	1996	Yes	Yes
304	York University	\$ 12,000	1996	Yes	Yes
304	University of Saskatchewan	\$ 12,600	1996	Yes	Yes
304	Canadian Meteorological and Oceanographic Society (CMOS)	\$ 17,000	2000	Yes	Yes
305	Inter-American Institute for Global Change Research	\$ 43,988	2000	Yes	Yes
305	World Meteorological Organization	\$ 434,964	1996	Yes	Yes
302	University of Guelph	\$1,097,000	1996	Yes	Yes
305	DFAIT	\$ 227,866	N/a	No	Yes
301	McMaster University	\$ 20,000	1996	Yes	Yes
301	McGill University	\$ 100,000	1996	Yes	Yes
301	Caron, Jean-Francois	\$ 11,534	1996	Yes	Yes
305	United Nations University	\$ 590,000	1996	Yes	Yes

⁺ Environment Canada received Treasury Board agreement that the new June 2000 policy would not take effect in the department until September 2000, hence only G&Cs authorized after September 2000 would have to follow the new TBS policy on Transfer Payments. The G&Cs signing date was used as the date of authorization.

^{**} There was no signing date apparent in the contribution agreement to identify whether the Agreement was signed before or after September 2000, when the staking of assistance provision came into effect. For the purposes of this report, the first invoice date was assumed the indicator of when the contribution agreement was signed. As such, the contribution agreement was under the former TBS policy on Transfer Payments (1996), and therefore, the staking of assistance was not implemented.

Class	Grant or Contribution Agreement	Amount of Contribution	TBS Transfer Payment Policy ⁺	Interview conducted	File review conducted
304	DM Solutions Group	\$ 16,500	1996	Yes	Yes
304	Canadian Environmental Network	\$ 600,000	1996	Yes	Yes
304	Société de Transport de L'Outaouais	\$ 11,320	2000	Yes	Yes
304	City of Ottawa	\$ 8,677	1996	Yes	Yes
305	Organization for Economic Co-Operation and Development	\$ 30,000	1996	Yes	Yes
302	University of Saskatchewan	\$ 250,000	1996	Yes	Yes
304	World Wildlife Fund Canada	\$ 11,300	1996	Yes	Yes
304	Public Policy Forum	\$ 262,252	1996	Yes	Yes
304	Canadian University Press	\$ 10,000	1996	Yes	Yes
305	Protection of the Arctic Marine Environment (PAME) Secretariat	\$ 20,000	2000	Yes	Yes
304	Shediac Bay Watershed Association	\$ 11,225	1996	Yes	Yes
304	Southeast Environment Association	\$ 11,225	1996	Yes	Yes
304	Clean Annapolis River Project	\$ 11,200	1996	Yes	Yes
304	Conservation Council of New Brunswick	\$ 11,225	1996	Yes	Yes
304	Pictou Harbour Environmental Protection Project	\$ 3,554	1996	Yes	Yes
304	Nova Scotia Department of Natural Resources	\$ 10,000	1996	Yes	Yes
304	Carleton University	\$ 12,000	1996	Yes	Yes
304	Bird Studies Canada	\$ 11,400	1996	Yes	Yes
304	Laskeek Bay Conservation Society	\$ 11,400	1996	Yes	Yes
304	Beaverhill Bird Observatory	\$ 12,000	1996	Yes	Yes
304	University of Saskatchewan	\$ 62,700	1996	Yes	Yes
304	Ducks Unlimited	\$ 10,000	2000	Yes	Yes
304	Canadian Institute of Treated Wood	\$ 50,000	1996	No	Yes
305	CAFF International Secretariat	\$ 21,038	1996	Yes	Yes
304	University of Guelph	\$ 11,400	1996	No	Yes
304	University of New Brunswick	\$ 12,000	1996	No	Yes
302	University of New Brunswick	\$ 12,000	1996	Yes	Yes
304	Ontario Medical Association	\$ 35,000	1996	Yes	Yes
304	Health Canada	\$ 20,000	N/a	No	Yes
304	Stonehaven Productions	\$ 20,000	2000	Yes	Yes
304	Environmental Science and Technology Alliance Canada	\$ 36,000	1996	Yes	Yes
302	Canadian Environmental Industry Association	\$ 5,000	1996	Yes	Yes