

DEPARTMENT OF CANADIAN HERITAGE

CORPORATE REVIEW BRANCH

**AUDIT OF THE
CELEBRATION, COMMEMORATION AND LEARNING PROGRAM**

PRELIMINARY REPORT

JANUARY 25, 2006

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**CANADIAN HERITAGE
CELEBRATION COMMEMORATION AND LEARNING PROGRAM**

EXECUTIVE SUMMARY

OBJECTIVES	<p>The audit of the <i>Celebration Commemoration and Learning Program</i> covered the fiscal year ending March 31, 2004, and had the following objectives:</p> <ul style="list-style-type: none">• Compliance with the Treasury Board policy on transfer payments, the <i>Financial Administration Act</i>, departmental policies, and the terms and conditions of the program and grant and contribution agreements• Evaluation of the program management and control frameworks• Effectiveness and economy in program management• Program-related risk analysis, evaluation, and management• Identification of best practices
GENERAL OBSERVATION	<p>In general, the transactions examined met departmental and Treasury Board requirements and criteria in terms of approval, documentation, and data entry.</p> <p>Funds allocated through the program were granted in compliance with program objectives to legitimate recipients based on duly completed funding applications.</p>
TERMS OF REFERENCE	<p>A lack of internal procedures and specific directives to program administration was observed. Consequently, the program particulars are not considered and the regions are left to themselves to manage the program, which leads to inconsistent interpretation and application of the program's terms and conditions.</p>
RISK MANAGEMENT ANALYSIS	<p>The risk-based audit framework, implemented to minimize program-specific risks, does not reflect program specifics, made up in large part by low-value grants, and does not identify region-specific mitigation measures. As a result, the situation does not provide formal management of program risks.</p>
MANAGEMENT EFFECTIVENESS	<p>Due to the absence of appropriate regional terms of reference and risk management, program grants and contributions are analyzed, handled, and approved in the same fashion, without any consideration to their value or risk level. The situation unnecessarily increases the workload of staff assigned to manage the program.</p>
FUNDING ALLOCATION	<p>The process of allocating funding per applicant could be significantly improved by integrating available information with respect to past performance of applicants, namely compliance with funding criteria as well as actual revenues and expenses generated the previous year. Currently, this information is not formally provided to the Grants Review Committees, who are responsible for reviewing requests for funding and making recommendations to allocate funding to applicants.</p>
GRANT PAYMENT	<p>Payment of grants and contributions is often too close to the funded event dates, sparking criticism from recipients and creating a negative impact on the organization of Canada Day celebrations.</p>
POST-MORTEM FOLLOW-UP	<p>Due to a lack of appropriate directives, the regions generally do not conduct any formal documented follow-up on the evaluation reports completed by the recipients. A proper post-mortem follow-up that took into account the program's specific risks would allow for better program control and allow compliance with the funding criteria and requirements as well as the use of funds by selected recipients.</p>
RECOMMENDATIONS	<p>Detailed observations of these issues are presented in section 6.0.</p>

INTRODUCTION

1.1 BACKGROUND

In November 2003, the terms and conditions of the *Celebration, Commemoration and Learning Program* were approved following the creation of the national commemoration policy in 2002. The program covers the following events:

- "Celebrate Canada!"
- Annual celebrations celebrating 50 commemorative days, weeks, and months, such as Flag Day or Remembrance Day
- Other celebrations, commemorations and learning related to the five-year plan and any other special events, such as the Queen's Jubilee, State funerals, the recognition of athletic excellence, etc.

Within the context of this new program, the Department created a Results-based Management and Accountability Framework and a Risk-Based Audit Framework.

At that time, the Department went from an environment geared towards grants and letters of understanding with "Celebrate Canada!" program recipients to an environment focused on contributions to recipients receiving \$15,000 and up in funding. That is why the development of contribution agreements has become a recent practice in the administration of the audited program.

The program has an A-base of \$1.4 million (\$590,000 in operating expenditures and \$777,600 in grants and contributions) while in 2003-04, total program expenditures were \$8.9 million, with the difference being made up by additional departmental appropriations (see section 1.3 for more details).

Celebrate Canada!

"Celebrate Canada!" is a program that since 1996 has provided annual funding for activities related to the annual celebrations taking place from June 21 to July 1 throughout Canada. The program, which since 2003 has been integrated with the *Celebration, Commemoration and Learning Program*, provides funding for the following celebrations for Canadian communities:

- National Aboriginal Day
- Saint-Jean-Baptiste Day
- Canadian Multiculturalism Day
- Canada Day

The funds given to the "Celebrate Canada!" program are also used to finance annual operating expenses for Canada Celebration Committees through contributions. These provincial and territorial Committees are made up of volunteers, and their goal is to encourage community celebrations in each province and territory in the country.

In 2002-03 and 2003-04 the program provided annual funding for more than 1,400 celebration projects throughout Canada, for an annual amount of \$7.2 million.

As the "Celebrate Canada!" program represents the most significant portion of expenses related to the *Celebration, Commemoration and Learning Program*, the audit dealt primarily with the financial cycle of this program. The cycle, implemented in the Department's regional offices, is described in Appendix II of the report, and was used as a reference for the purposes of this audit.

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1.2 FINANCIAL DATA

In 2003-04, the *Celebration, Commemoration and Learning Program* (CCLP) incurred the following expenses:

<i>(Financial data expressed in thousands of dollars)</i>	Celebrate Canada!	Other CCLP activities	CCLP Total
Operating expenditures	\$1,177	\$511	\$1,688
Grants and contributions			
Quebec – CCCQ (1)	4,481		4,481
Quebec – other than CCCQ	554		554
Ontario	610		610
Western Canada	609		609
Atlantic	514		514
Prairies	357		357
National Capital Region		50	50
	7,125	50	7,175
Total	\$8,302	\$561	\$8,863

Note1: The Department entrusted the Celebrate Canada Committee for Quebec (CCCQ) with organizing Canada Day celebrations in 28 Quebec municipalities and gave the CCCQ a budget of \$4,481,000 for this task.

2.0 OBJECTIVES

The objectives for the audit of the *Celebration Commemoration and Learning Program* were as follows:

- Compliance with the Treasury Board policy on transfer payments, the *Financial Administration Act*, departmental policies, and the terms and conditions of the program and grant and contribution agreements
- Evaluation of the program management and control frameworks
- Effectiveness and economy in program management, including the use of the Departmental Grants and Contributions Information Management System (GCIMS)
- Program-related risk analysis, evaluation, and management
- Identification of best practices on-site in the regional offices

3.0 EXTENT

3.1 SCOPE

The audit covered all transactions pertaining to the *Celebration Commemoration and Learning Program* for the fiscal year ending March 31, 2004, and includes:

- Operating expenses incurred by Departmental Headquarters and the regional offices, and
- Grants and contributions provided by Departmental Headquarters and the regional offices.

A detailed review of transactions by recipients funded by the “Celebrate Canada!” program is not included in this audit. This review is conducted annually and is based on a risk analysis aimed at identifying recipients that should be audited.

3.2 TERMS OF REFERENCE

The terms of reference that apply to this audit are based on the following departmental policies and directives:

- The Canadian Heritage policy on managing grants and contributions
- Treasury Board policies and guides pertaining to grants, contributions and other transfer payments
- An integrated Results-based Management and Accountability and Risk-Based Auditing Framework for the *Celebration Commemoration and Learning Program*
- Terms and Conditions of the *Celebration Commemoration and Learning Program*
- “Celebrate Canada!” program orientation manual
- “Celebrate Canada!” management procedures in GCIMS (*Celebrate Canada Program – Procedures for Managing the Project and Program Cycle in GCIMS*).

4.0 METHODOLOGY

The internal audit was conducted from December 2004 to February 2005, in compliance with generally accepted auditing standards and the requirements set out in the Treasury Board Secretariat *Internal Audit Policy*.

The Departmental Headquarters and Regional Office staff, as well as the managers involved, were interviewed during the engagement and at the conclusion of each visit to the selected regions.

The audit criteria applied to this engagement are defined in Appendix III of the report.

SAMPLE

Following a risk assessment based primarily on the size of grants and contributions allotted by region as well as the number and average value of funding projects, the following regional offices were visited during this audit, in order to provide a representative picture of Canada’s regions:

<u>Region</u>	<u>Regional offices visited</u>
Atlantic	Halifax
Quebec	Montreal
Ontario	Toronto
Prairies	Regina
Western Canada	Vancouver

The sample of applicant funding files was comprised of 100 requests for funding submitted in 2003-04, spread equally among the five regions visited. In order to cover all types of transactions associated with the project, the sample was selected as follows:

- Number of files over \$15,000 14
- Number of files between \$3,000 and \$14,999 23
- Number of files between \$1,000 and \$2,999 19
- Number of files between \$500 and \$999 11
- Number of files under \$500 15

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- Number of non-funded files that were rejected 18
- Selected Sample Total 100**

In addition, operating expenses incurred in 2003-04 by Departmental Headquarters and two regional offices were audited to 79% and the \$50,000 contribution assigned by Departmental Headquarters was examined.

5.0 GENERAL OBSERVATION

In general, the examined transactions pertaining to the *Celebration Commemoration and Learning Program* met the requirements and criteria of the Department and the Treasury Board in terms of:

- Approval and certification under section 34 of the *Financial Administration Act* (FAA)
- Documentation supporting the design, execution, control, evaluation and auditing of the program
- Data entry and decision actions in the departmental Grants and Contributions Information Management System (GCIMS), and
- Contracting for operating expenditures related to the delivery of goods and services.

In addition, based on the transactions examined during the audit, the funding granted under the program was delivered in compliance with the terms of the program to legitimate recipients based on duly completed funding applications.

6.0 OBSERVATIONS

6.1 TERMS OF REFERENCE

In addition to the Canadian Heritage grants and contributions management policy released in April 2003, the regional offices have the two following guides available to them for the administration of the “Celebrate Canada!” program:

Title	Updated	Subjects covered in the table of contents
“Celebrate Canada!” Orientation Manual	September 2004	<ul style="list-style-type: none"> • Mandate and structure • Current activities • Grant program description
Procedures for Managing the Project and Program Cycle in GCIMS – Celebrate Canada Program	April 2003	<ul style="list-style-type: none"> • Open File Tab • Approval Tab • Assessment Tab • Final Evaluation Tab • Journal Tab • Searching in GCIMS • Eligibility Tab • Payment Tab • Close file Tab • Client Information Tab • Add a New Project • Key Reports

An examination of these two manuals revealed a lack of internal procedures and specific instructions for program administration in the following areas:

- ✓ Program-specific risk management and analysis
- ✓ Application of criteria and requirements related to grant applications

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- ✓ Allocation of funding per applicant
- ✓ Confirmation of funding granted to recipients
- ✓ Evaluation and post-mortem follow-up

These subjects are dealt with in detail in the sections that follow.

As a result, the regional offices and the provincial committees are left to their own devices to administer the program, which forced some regional offices to develop their own internal procedures.

RECOMMENDATIONS

In order to ensure effective and consistent program management in the regional offices and the provincial committees, in compliance with departmental policies and directives, we recommend that Departmental Headquarters:

- i) Establish terms of reference that include appropriate directives and internal procedures and communicate them to the regional offices and provincial committees
- ii) Provide appropriate training to program managers and staff to allow consistent implementation of directives and procedures.

MANAGEMENT RESPONSE: THE PROGRAM ACCEPTS THE RECOMMENDATION.

Action Plan: The program will strike a working group comprised of Celebrate Canada employees from the regional offices and headquarters as well as representatives from key departmental areas such as the Communications Branch and the Centre of Expertise.

In preparation for the working group meeting, the program will gather information related to best practices in other programs as well as tools that other departmental grants and contributions programs are utilizing. The provincial/territorial Celebrate Canada Committees will be consulted and updated on the process.

The working group will be responsible for establishing terms of reference that include appropriate directives and internal procedures which will define a consistent approach to the program delivery while remaining flexible enough to accommodate regional specificities. The resulting working tools will be shared with all Celebrate Canada program employees and committees and presented at a teleconference or in-person meeting, as required. Any additional information sharing and/or training will be held during the Celebrate Canada employee bi-monthly conference calls and at the annual national meetings held each fall.

The program will hold a multiple day workshop with Regional Program Managers led by a facilitator to develop directives, internal procedures, other required tools and a training plan.

The program will review the results and outcomes after the 2006 grant and contribution

cycle for Celebrate Canada and fine-tune the directives, procedures and tools accordingly.

Implementation Date: March 31, 2006

6.2 RISK ANALYSIS AND MANAGEMENT

During the examination of the Risk-Based Audit Framework, developed in 2003, we made the following observations:

- a) The Framework does not take into account the following “Celebrate Canada!” program specifics:
- The low-value value of most grants awarded annually (details regarding the distribution of the value of grants and contributions is provided in section 6.3 of this report)
 - The Department's low degree of participation in the cost of most funded events, and
 - Assurances regarding the existence and legitimacy of many program recipients.

As a result, the Framework does not provide adequate program risk-based management.

- b) The following program-specific risks were not identified or evaluated in the Risk-Based Audit Framework:
- ✓ Unequitable distribution of funds among eligible recipients
 - ✓ Possible conflicts of interest between recipients and suppliers
 - ✓ Suppliers selected by program recipients or by the Department, contrary to government contracting standards
 - ✓ Inadequate evaluation and follow-up on projects funded by the Department, neither ensuring that program goals are met nor providing program managers with relevant information
 - ✓ Lack of or failure of controls implemented by the provincial committees responsible for direct payment of funding to recipients.
- c) The identified mitigation measures do not cover internal actions, such as post-mortem evaluation and follow-up, that could be implemented by the regional offices so as to minimize identified risks. Only the control and detection measures under the authority of Departmental Headquarters were identified, which is insufficient for ensuring proper risk management with respect to the use of funds for the purposes proposed by recipients.
- d) In 2003-04, only one audit of a contribution attributed to a provincial committee was performed, instead of the two specified in the conditions for the Risk-Based Audit Framework. However, in 2004-05, two audits of provincial committees were undertaken.

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- e) In 2003-04 and 2004-05, no recipient audits other than the provincial committees were performed, contrary to the conditions specified for the Risk-Based Audit Framework.
- f) Random examinations of recipient files was performed regularly by the Grants and Contributions Centre of Expertise, and corrective action was taken by the regional offices that were examined, in compliance with the Risk-Based Audit Framework. However, the lack of internal procedures and directives for the regional offices limits the added value of this type of examination.

RECOMMENDATIONS

To ensure appropriate management of program-specific risks, we recommend that Departmental Headquarters:

- i) Review the risks identified in the Risk-Based Audit Framework to ensure that all program-specific risks are considered in the risk analysis
- ii) Re-evaluate program-specific risks with due regard to program specifics and findings reported during recent recipient audits
- iii) Formally identify, in co-operation with the regional offices, mitigation measures to implement in order to appropriately manage risks
- iv) Comply with mitigation measures specified in the Risk-Based Audit Framework, such as auditing two provincial committees annually.

MANAGEMENT RESPONSE: THE PROGRAM ACCEPTS THE RECOMMENDATION.

Action Plan: With the renewal of the program authorities in 2007, it is intended that the Results-Based Audit Framework will also be reviewed in collaboration with the regional offices. At which time, the program-specific risks will be re-evaluated and mitigation measures to appropriately manage risks will be formally identified.

In the interim, the program has already begun auditing provincial committees on an annual basis and will address risks as required. Recipient audits were conducted as follows: in 2004, the Celebrate Canada Committee for Quebec; in 2005, the Celebrate Canada Committees for Alberta and for British Columbia and Phase II of audit work on Celebrate Canada Committee for Quebec. In 2006, two recipients have been identified for audit: the Celebrate Canada Committee for Ontario and Canada Place in BC.

The program, in collaboration with the regional offices, will undertake a review of the completeness of the risk framework prior to design of common procedures and tools.

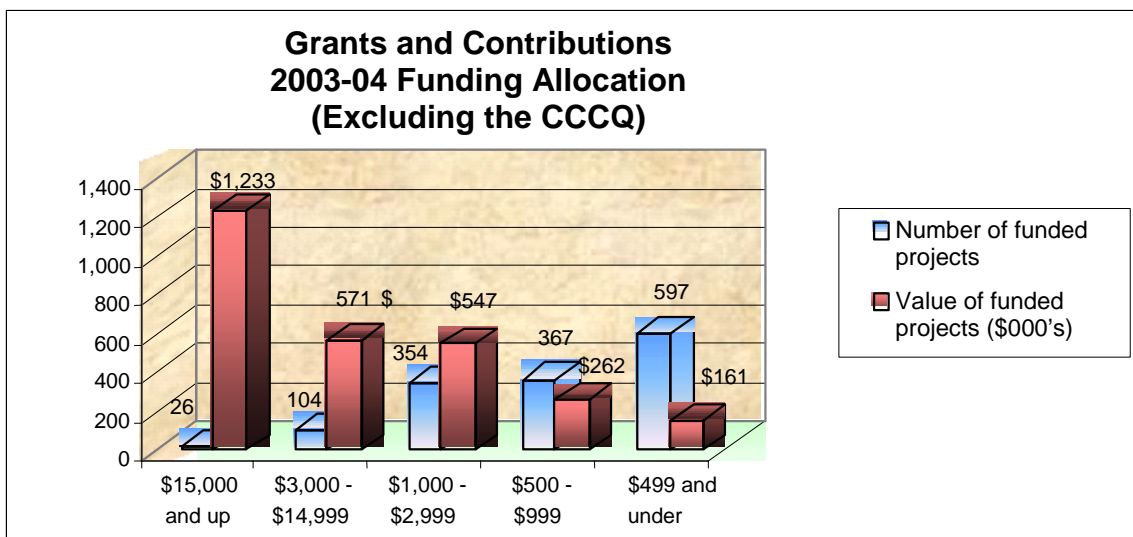
Implementation Date: December 31, 2006

6.3 EFFECTIVENESS OF PROGRAM MANAGEMENT

Due to the lack of risk management by the regional offices, all grants and contributions are analyzed, processed and approved in the same manner, without taking into account their financial value and specific risk level.

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However, we have observed that the majority of grants and contributions awarded under the “Celebrate Canada!” program are low-value transactions, as shown in the following graph (which includes events organized by CCCQ in the Quebec region, for which funding allocated in 2003-04 totalled \$4.5 million):



Note: For program purposes, any funding over \$15,000 is a contribution and consequently requires a formal agreement to be signed with the recipient.

The consequence of this consistent treatment is to needlessly increase the workload of Regional Office staff assigned to program management. This inefficiency is due primarily to the fact that all information disclosed by the applicants during the submission of their grant application must be entered into the GCIMS system. The information is as follows:

- ✓ File registration number
- ✓ Applicant name and address
- ✓ Project name and description, including the number of expected participants, language of correspondence, contacts, and legal status
- ✓ Project start and end dates
- ✓ Detailed categorized budget of revenues and expenditures
- ✓ Project evaluation against program objectives
- ✓ Amount of funding requested and granted
- ✓ Justification of the granted funding recommendation
- ✓ Recommendation approval and program manager comments
- ✓ Justification of eligibility, and
- ✓ Financial coding of the transaction.

The regional offices acknowledged that the large volume of information to analyze, approve and enter into the GCIMS system in such a short period of time (between the submission of requests for funding in March and the funding recommendation granted per applicant in May) had a negative impact on their operations.

RECOMMENDATIONS

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In order to improve "Celebrate Canada!" program management efficiency, we recommend that Departmental Headquarters reduce the amount of information to be analyzed, approved and entered into the GCIMS system for low-value grants, with due regard to the risk management approach. To that end, Departmental Headquarters should consider the following possibilities:

- i) Establish a financial threshold to define low-value grants
- ii) Re-evaluate the requirement to use the GCIMS system to process low-value grants
- iii) Assess transferring the responsibility for making payments of low-value grants to the provincial committees and consider the control framework requirements.

MANAGEMENT RESPONSE: THE PROGRAM ACCEPTS THE RECOMMENDATION.

Action Plan: At the current time, the department has imposed a moratorium on all major changes to the existing GCIMS system. Plans to improve and modify the system are in development. The program will work closely with the appropriate authorities to ensure that the future system be adapted to the reality of the Celebrate Canada program (i.e. high number of low value grants).

With the renewal of the terms and conditions, the program will assess the possibility of transferring the responsibility for making payments of low-value grants to the provincial/territorial committees and consider the control framework requirements.

Implementation Date: December 31, 2006

6.4 CRITERIA AND REQUIREMENTS RELATED TO FUNDING APPLICATIONS

Due to a lack of internal procedures and appropriate directives, the criteria and requirements for funding as defined in the *Funding Application Form* are not applied consistently nor are they interpreted in the same fashion by the regional offices.

The funding criteria and requirements include the following elements:

- Eligible expenditures
- Funding from extra-departmental sources
- Recovery of generated surpluses
- Free admission to funded events
- Waiver of government and provincial committee liability for funded events
- Fireworks authorization and proof of liability insurance coverage, and
- Documents of incorporation and letters of authorization signed by the board of directors or municipal council.

The following examples of non-compliance were observed:

- a) A copy of incorporation documents is not always requested for the initial grant application submitted by a new recipient primarily because the form states that this

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requirement only applies to corporations. However, some regional offices require letters patent from organizing committees reporting to municipalities.

A motion from the board of directors or the municipality authorizing the grant application is not always obtained, for the same reasons.

These examples are contrary to the program's terms and conditions and do not ensure that the recipient legitimately exists and increase the risk of inappropriate use of public monies.

- b) Letters from the fire department in the municipality in which fireworks are planned and/or a copy of recipient liability insurance coverage is not always requested by the regional offices.

However, as the fireworks authorization form included with the grant application (as well as the waiver of indemnification) does not have a specific space to list the document's date of signature or the planned date for the event in question, not having these documents could increase the risk that the Department might be held liable in the event of fires started by fireworks.

- c) Some regional offices ask for a copy of recipient liability insurance coverage only if fireworks are planned, while other regional offices require that document for any funded project, with or without fireworks. The lack of sufficient liability insurance is contrary to the terms and conditions of the program.
- d) Some events were funded even though the recipient did not have any source of external funding other than the Department and in-kind donations in the form of hours worked for the funded organization. This is contrary to the terms and conditions of the program, specifically the grant application stipulation that "*recipients have received donations or support from other sources*".
- e) As the funding criteria and requirements were interpreted and applied in different ways by the regional offices, owing to a lack of instructions from Departmental Headquarters, follow-up was not carried out consistently. This issue is covered in more detail in section 6.8 of the report.

RECOMMENDATIONS

In order to ensure consistent interpretation and application of the funding criteria and requirements and to minimize potential risks, with due regard to the risk management approach, we recommend that Departmental Headquarters:

- i) Develop the required internal procedures and directives and distribute them to the regional offices
- ii) Provide appropriate training to program managers and staff
- iii) Incorporate a specific space to indicate the date of signature on the waiver and fireworks authorization forms that are included in the funding application distributed by the Department.

MANAGEMENT RESPONSE: THE PROGRAM ACCEPTS THE RECOMMENDATION.

Action Plan: As outlined in the action plan for recommendation 1, a working group will be tasked to define appropriate program directives and internal procedures and will distribute them to all regional offices. A teleconference or an in-person meeting will be held to further discuss and clarify, as required.

The program has already incorporated a specific space to indicate the date of signature on the waiver and fireworks authorization forms that are included in the funding application distributed by the department.

If additional resources are allocated, the program will ensure that a multi-day workshop is held in Ottawa to develop directives, internal procedures and necessary working tools.

As indicated in the action plan for recommendation 1, any additional information sharing and/or training will be held during the Celebrate Canada employee bi-monthly conference calls and at the annual national meetings held each fall.

Implementation Date: March 31, 2006

6.5 ANNUAL ALLOCATION OF FUNDING PER APPLICANT

In general, the annual funding allocation per applicant process is properly documented and approved in compliance with departmental policies and directives. In each region, a Grants Review Committee, comprising members of the provincial committee and departmental representatives, studies submitted funding applications over a period of one or two days at the start of the first quarter of the fiscal cycle and recommends the funding to be allocated per applicant. Recommendations are documented in the *Grants Review Committee Evaluation Report* that is produced from data entered into the GCIMS. The Committee recommendations are reviewed, authorized and entered into the GCIMS by the regional office in charge of the program.

In addition, each region has developed its own checklist to ensure that applicants had provided all required information and were complying with the program criteria and requirements. In only one of the regions visited, the Grants Review Committee members documented justifications supporting the proposed funding recommendations.

Another region visited did not use the *Grants Review Committee Evaluation Report* to document recommendations proposed by the Committee. This situation does not ensure that the Committee has individually approved each recommendation, contrary to the practice in the other regions.

However, in all the visited regions, we observed the following:

a) *Funding allocation decision-making process*

A review of the form used by the Grants Review Committee revealed that the funding allocation decision-making process is based on the following two types of information:

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- ✓ Funding requested by each applicant based on the budget submitted for coming events
- ✓ Required funding amounts that were approved and paid out in previous years.

However, a review of actual revenues and expenditures declared by applicants in their post-mortem evaluation report revealed significant variances between the budgeted amounts and those actually incurred. These variances may generally be explained by the fact that applicants overestimate budgeted expenditures and underestimate expected revenues so as to request the highest amount of funding possible from the Department.

We also noted that no information was provided to the provincial committees regarding past performance of applicants in the last year with respect to the funding criteria and requirements, such as generated surplus, the eligibility of claimed expenditures, or the securing of funding from sources other than the Department.

That is why we consider the funding allocation per applicant decision-making process to be incomplete, as it does not take into account all available information.

b) Justification of annual variations in granted funding

Significant percentage variations (increases and decreases) were observed in funding granted per applicant from one year to the next without written justification for the changes from the Grants Review Committee responsible for the recommendation.

Even if these aren't significant amounts in absolute terms, granted funding is often a vital source of funds for program celebration organizers, and any significant annual decrease may cause difficulties in planning and organizing held events, as stressed numerous times in the comments submitted by the recipients.

As a result, the absence of justification for annual variations could lead to criticism of the Department should a recipient ask for explanations regarding the annual variations in granted funding.

RECOMMENDATIONS

To improve the decision-making process for the annual allocation of funding per applicant, with due regard to the risk management approach, we recommend that Departmental Headquarters:

- i) Make the process for documenting recommendations of the Grants Review Committees consistent by developing and distributing appropriate internal procedures
- ii) Have the Grants Review Committees justify in writing any significant annual variation in the year-to-year funding granted to applicants.
- iii) Have the regional offices compile and share historical information with the Grants Review Committees on revenues and expenditures actually incurred as well as compliance with funding criteria and requirements.

MANAGEMENT RESPONSE: THE PROGRAM ACCEPTS THE RECOMMENDATION.

Action Plan: As outlined in the action plan for recommendation 1 and 4, the working group tasked with defining appropriate program directives and internal procedures will also be responsible for developing a process for documenting recommendations of the Grants

Review Committees. A tool will also be developed to enable the Grants Review Committees to justify any significant annual variation in the year-to-year funding granted to applicants.

The program will ensure that the directives and internal procedures clearly indicate that the regional offices must compile and share historical information with the Grants Review Committees on revenues and expenditures incurred as well as compliance with funding criteria and requirements.

If additional resources are allocated, the program will ensure that a multi-day workshop is held in Ottawa to develop directives, internal procedures and necessary working tools.

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6.6 APPROVAL OF RECOMMENDATIONS AND REQUESTS FOR PAYMENT

In general, program-related requests for payment are properly certified in accordance with section 34 of the FAA, and agreements of \$3,000 and up are subject to approval by the Deputy Minister, in compliance with the departmental authority delegation chart.

The following facts were noted:

- a) The approval and payment form used for grants and contributions makes no reference to section 34 of the FAA in the space marked for authorization. The wording is as follows: "I certify that the appropriate terms and conditions were met."

As a result, in one of the regions visited we found that a program manager to whom those financial powers had not been granted had sometimes certified requests for payment involving agreements for \$3,000 and up under section 34. The Deputy Minister had previously approved the agreements in question, however.

- b) The Deputy Minister authorizes all payments in excess of \$3,000 using the approval and payment form or by letter. However, we observed that in some cases, the letter made no mention of the grant amount and that the Deputy Minister signed no approval and payment forms for these transactions. Consequently, the situation does not ensure that the Deputy Minister formally authorized the amounts in these agreements.
- c) There is duplication in the funding and payment recommendation approval process as first, managers electronically approve these transactions in GCIMS and second, they personally sign the approval forms placed in the recipient's file.

The situation needlessly increases the workload of program managers and directors.

- d) To simplify the recommendation approval and certification process of payment requests under section 34, a batch authorization process is available in the GCIMS for requests for payment under \$3,000. However, two of the five regional offices visited were not using this process at the time of the audit, which needlessly increased program manager and director workloads.

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In addition, a review of two of the three regions using batch reports revealed that the information certified pursuant to section 34 was the funding recommended by the provincial committees and not that approved by the program managers. To correct this situation, one of the two regional offices had to manually add the approved amounts to the reports, which needlessly increased the workload of departmental employees.

As a result, the region that had not corrected its batch reports in fact certified the amounts recommended by the provincial committee instead of the amount approved by the program manager under section 34. However, the batch report audit showed no discrepancies in the certification of requests for payment, and the approved amounts corresponded to the recommended amounts.

RECOMMENDATIONS

To ensure consistency in the approval of funding recommendations and certification pursuant to section 34 of the FAA, we recommend that Departmental Headquarters:

- i) Change the approval and payment form to include a reference to section 34 in the space reserved for certification of the request for payment
- ii) Send instructions to all regional offices regarding the use of batch reports for approving recommendations and certifying requests for payment under \$3,000 so as to reduce the volume of documents to approve by hand.
- iii) Ensure that the regional offices change information appearing in batch reports for the approval of recommendations and certification of requests for payment under \$3,000 so that the approved amounts can be certified in compliance with section 34 of the FAA.

MANAGEMENT RESPONSE: THE PROGRAM ACCEPTS THE RECOMMENDATION.

Action Plan: The approval and payment form will be modified to include a reference to section 34 in the space reserved for certification of the request for payment.

The program will ensure that instructions regarding the use of batch reports for approving recommendations and certifying requests for payment under \$3,000 are sent and are implemented by all regional offices.

The program will also ensure that the regional offices are aware that they must change information appearing in batch reports for the approval of recommendations and certification of requests for payment under \$3,000 so that the approved amounts can be certified in compliance with section 34 of the FAA.

Implementation Date: March 31, 2006

6.7 CONFIRMATION AND PAYMENT OF FUNDING TO RECIPIENTS

While it was noted that efforts were made in all the regional offices visited to send grant and contribution payments in a reasonable timeframe, many grants and contributions were confirmed and/or paid in June 2003, sometimes only a few days before the celebrations were to be held. Some recipients received their payment after Canada Day.

This situation leads to dissatisfaction on the part of recipients and has a negative impact on event organization, and some events had to be cancelled due to not having funding a reasonable amount of time before the celebrations were to be held.

In addition, the grant and contribution confirmation process is not consistent across the regional offices visited, and the following confirmation practices were observed:

- a) Grants and contributions are sometimes confirmed with recipients verbally by telephone
- b) A letter of confirmation, with or without the amount of funding granted, is sent to recipients
- c) No written confirmation is sent to recipients before sending the cheque.

RECOMMENDATIONS

To provide confirmation and payment of grants and contributions a reasonable amount of time before the celebrations are held without increasing the risk that funds will be used for purposes other than those of the program, we recommend that Departmental Headquarters:

- i) Adopt a standard calendar in order to establish deadlines with respect to authorization of proposed funding by the provincial committees, certification under section 34 of the FAA, Deputy Minister approval for agreements over \$3,000, and confirmation and payment of recipients.
- ii) Standardize the process of confirming funding granted to recipients with due regard to the work required on the part of program officers and departmental staff
- iii) Move up the deadline for submitting applications for funding so as to accelerate the funding recommendation approval process.

MANAGEMENT RESPONSE: THE PROGRAM ACCEPTS THE RECOMMENDATION.

Action Plan: As outlined in the action plan for recommendation 1, 4 and 5, the working group tasked with defining appropriate program directives and internal procedures will also be responsible for developing a standard calendar establishing deadlines with respect to the authorization of proposed funding by the provincial committees, certification under section 34 of the FAA, Deputy Minister approval for agreements over \$3,000, and confirmation and payment of recipients. The working group will also standardize the process of confirming funding granted to recipients with due regard to the work required on the part of program officers and departmental staff.

In order to expedite the processing of funding applications, client-groups are being encouraged to submit their application forms by January 31, 2006 and that funding requests received by March 31, 2006 will not be considered.

If additional resources are allocated, the program will ensure that a multi-day workshop is held in Ottawa to develop directives, internal procedures and necessary working tools.

Implementation Date: March 31, 2006

6.8 POST-MORTEM EVALUATION AND FOLLOW-UP

Post-mortem follow-up of grants and contributions related to the “Celebrate Canada!” program represents a very important control, due to the fact that the time between approval of funding to be granted and the holding of events is too short to carry out regular assessments during the development of funded projects for the purpose of managing specific risks. That is why the post-mortem follow-up, which consists of analyzing evaluation forms completed by recipients, is one of the major actions performed by the regional offices that allows for measurement against the program goals, as these forms provide financial and non-financial measurements of the results of events held under the program.

In all the studied files, recipients completed an evaluation form so as to be eligible for funding for their activities next year.

We noted the following, however:

- a) No formal follow-up of information provided in the evaluation forms completed by recipients was undertaken, with the exception of one region that nevertheless does not document the results of the follow-up. A cursory documented analysis is conducted for only some significant contributions.
- b) Financial data (such as actual expenditures and revenues as well as generated deficits or surpluses) and non-financial data (such as the number of event participants) is not entered into the GCIMS system or collected for statistical purposes.
- c) There were significant discrepancies between the budgets estimated at the time of the funding application and the actual results compiled after the events were held (recipients generally underestimated expected revenues and overestimated anticipated expenditures to be able to request more funding from the Department). However, the actual financial data is not compiled and shared with the program managers or the provincial committees who are nevertheless responsible for assessing program results and establishing the funding to allocate per applicant.
- d) Many recipients reported actual revenues that exactly balanced the actual incurred expenditures, which means that no surplus or deficit is generated, sometimes at the request of certain regional offices. In addition, recipients provided expenditures and revenues rounded to the nearest hundred dollars. These conditions do not ensure that financial data reported by recipients is accurate or valid.
- e) With the exception of one region, the regional offices did not identify the surpluses generated by some recipients, nor were they recovered despite the program terms and conditions including the requirement specified on the funding application form that stipulates that “*funds that were not used to finance program-related activities shall be*

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returned to the Provincial Committee". Furthermore, generated surpluses were not consistently defined in the regions visited.

However, for the eleven files that generated surpluses that were not recovered (14% of the studied sample), the opportunities for recovery missed by the Department amounted to only \$7,400 in 2003-04, an average of \$671 per file.

- f) Some recipients did not report generated revenues or reported only the Department's grant as revenue, which was contrary to terms and conditions of the program as well as the funding criteria specified on the funding application form that stipulate "*recipients must obtain donations or support from other sources*". These situations were not identified by the regional offices concerned.
- g) Expenditures reported by some recipients were in fact ineligible and were not identified by the regional offices. Examples of ineligible expenditures were food purchases, expenditures incurred after the events were held, etc. Even so, some questionable expenditures linking municipalities to recipients, such as the rental of a municipal park, foregone revenue to provide free parking to participants or the cost of municipal labour, were not identified by the regional offices.
- h) Most recipients neither provided invoices from suppliers nor supporting documentation, contrary to the requirement specified on the evaluation form stipulating that receipts be included. Some regional offices even asked recipients not to submit supporting documentation.

As an example of a best practice, in the past, some regional offices required recipients to provide receipts and supporting documentation for amounts equivalent to the value of the funding granted by the Department. The purpose of this practice was to demonstrate that the recipient incurred eligible expenditures in compliance with the criteria and requirements specified in the grant application submitted to the regional offices.

- i) In the case of recipients that attached supporting documentation, some of the receipts were in fact internal documents, such as internal memos or purchase orders, which are not valid documents. This does not confirm that declared expenditures were actually paid or are related to program services.
- j) Recipients do not provide press clippings, photos, or copies of their program activities, except in certain isolated cases. This does not allow for confirmation that the events actually took place.

These conditions are due primarily to the lack of directives about the actions to take when following up evaluations in the regions, which does not permit the integration of actual results declared by the recipients into the process for allocating funding per applicant.

RECOMMENDATIONS

To ensure proper and consistent post-mortem follow-up of events funded by the program, we recommend that Departmental Headquarters do the following using a risk management approach:

- i) Develop directives with respect to mechanisms for following up actual data reported by recipients and communicate the directives that should cover the following elements to the regional offices:
 - Review of data reported by recipients
 - Handling of declared surpluses

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- Ineligible expenditures
 - Accuracy of reported financial data
- ii) Render a decision on the nature of documents and information to be provided by recipients with respect to post-mortem follow-up, such as receipts, supporting documentation, press clippings and photos, and inform the regional offices and applicants of the decision
 - iii) Consider that recipients should provide receipts and supporting documentation for an amount equivalent to the value of the funding granted by the Department
 - iv) Provide appropriate training to program managers and staff
 - v) Ensure that the regional offices share the results of post-mortem follow-up with the provincial committees in order to improve the decision-making process for allocating funding per applicant.

MANAGEMENT RESPONSE: THE PROGRAM ACCEPTS THE RECOMMENDATION.

Action Plan: The program in collaboration with the working group will elaborate directives with respect to mechanisms for following up actual data reported by recipients in the these areas: review of data reported by recipients; handling of declared surpluses; ineligible expenditures; accuracy of reported financial data.

The program will also determine, in collaboration with the working group, the types of documents and information to be provided by recipients with respect to post-mortem follow-up.

With the renewal of the terms and conditions (recommendation 2), the program will evaluate the feasibility of whether recipients should provide receipts and supporting documentation for an amount equivalent to the value of the funding granted by the Department especially in the case of low value grants.

As indicated in the action plan for recommendation 3, the program will assess the possibility of transferring the responsibility for making payments of low-value grants to the provincial/territorial committees and consider the control framework requirements.

The program will inform all regional offices of the directives and in turn will ensure that the regional offices share the results of post-mortem follow-up with the provincial committees in order to improve the decision-making process for allocating funding per applicant.

The program will hold a multi-day workshop to develop directives, internal procedures and necessary working tools.

As indicated in the action plan for recommendations 1 and 4, any additional information sharing and/or training will be held during the Celebrate Canada employee bi-monthly conference calls and at the annual national meetings held each fall.

Implementation Date: March 31, 2006

6.9 PROVINCIAL COMMITTEES

The roles and responsibilities of various regional office and provincial committee stakeholders as defined in the "Celebrate Canada!" Program Orientation Manual are clearly understood and applied in the administration of the program.

Nevertheless, contrary to the directives in the program Orientation Manual, we noted the following:

- a) Two of the five regional offices visited do not delegate a departmental representative to attend as an observer any provincial committee board of directors' meetings, which does not allow for adequate follow-up on committee activities.
- b) No contingency plan is in place in the regions to provide replacement provincial committee members in the event that one or more of them resigns without notice.

RECOMMENDATIONS

To ensure proper functioning and follow-up of the provincial committees in compliance with the program Orientation Manual, we recommend the following for the regional offices:

- i) Delegate a departmental representative as an observer at provincial committee board of directors' meetings
- ii) Develop and implement a contingency plan to provide replacement provincial committee members should any of them depart.

MANAGEMENT RESPONSE: THE PROGRAM ACCEPTS THE RECOMMENDATION.

Action Plan: The program will ensure that all regional offices are asked to delegate a departmental representative as an observer at provincial/territorial committee board of director meetings.

The working group, as mentioned in the action plans for recommendations 1, 4, 5, 7 and 8 will develop a contingency plan to provide replacement provincial/territorial committee members in case of departures. The program will integrate the plan into a revised orientation manual.

If additional resources are allocated, the program will ensure that a multi-day workshop is held in Ottawa to develop directives, internal procedures and necessary working tools.

Implementation Date: March 31, 2006

6.10 CONTRIBUTION AGREEMENTS

Any applications for funding over \$15,000 require a contribution agreement in compliance with departmental policies.

With the exception of a single case for which the required audited financial statements were not obtained, the clauses of the examined contribution agreements, such as the publication of a detailed activities report, were generally followed.

However, the examination of contribution agreement clauses demonstrated that these were not consistent. For example, the clause concerning the reimbursement of generated surpluses did not appear in all of the examined contribution agreements. As a result, the Department cannot be sure that all the surpluses generated by the recipients can be recovered.

In addition, for recipients that received a contribution representing a significant percentage of the cost of the funded project, no specific clause was included to cover the following risks:

- The absence of terms of reference to provide sound management and appropriate accounting of financial transactions in compliance with accounting principles
- The possibility for conflicts of interest during awarding of contracts between recipients and suppliers, and
- The selection of suppliers (through tender for high-value transactions, for example) that might not provide transparency or the best value for the recipient funded by the Department.

RECOMMENDATIONS

In order to minimize the risk of public criticism of the Department with respect to funding recipients through contributions, we recommend that Departmental Headquarters, with the assistance of the Centre of Expertise, Grants and Contributions:

- i) Identify and standardize clauses to be included in contribution agreements (such as the obligation to reimburse any generated surplus to the Department)
- ii) Ensure that the regional offices include any clauses required for the proper management of the activities of recipients receiving large portions of funding through the program.

MANAGEMENT RESPONSE: THE PROGRAM ACCEPTS THE RECOMMENDATION.

Action Plan: Since the completion of the program audit, a revised and more comprehensive template for contribution agreements has been developed by the department which includes more in-depth sections and clauses pertaining to financial reporting and sound management.

Implementation Date: Completed for fiscal year 2004-2005

6.11 OPERATING EXPENDITURES

The review of operating expenditures related to the *Celebration Commemoration and Learning Program* revealed that in general:

- Examined transactions complied with requirements in terms of good governance and provided the best value in terms of quality and elapsed time while avoiding favouritism and the risk of conflict of interest
- Examined transactions ensured success, competition and fairness in a cost-effective manner in compliance with the interests of the Crown and passed public scrutiny in terms of prudence and integrity
- Hospitality fees were duly approved by the Minister
- Operating expenditures were duly certified pursuant to section 34 of the FAA, coded for accounting purposes, and documented with supporting documentation.

However, unlike Departmental Headquarters, which used the standard Contract Data Sheet form, the two regional offices that incurred program-related operating expenditures did not document the selection process for two suppliers for sums of \$1,956 and \$9,286, respectively. In the latter case, the procurement officers were involved in selecting the supplier.

This does not ensure compliance with Treasury Board contracting directives, especially with respect to obtaining at least three bids to demonstrate that the contracted supplier offered the best value for the required products or services. Operating expenditures related to the "Celebrate Canada!" program amounted to \$58,000 in 2003-04 for these two regions.

RECOMMENDATION

To ensure compliance with Treasury Board contracting directives, we recommend that the regional offices document the supplier selection process for audit program purposes.

MANAGEMENT RESPONSE: THE PROGRAM ACCEPTS THE RECOMMENDATION.

Action Plan: The program will remind regional staff of the Treasury Board contracting directives. The program will also ensure that these directives are among the working tools which will be distributed to all regional offices.

However, in the meantime, the program will ensure that a representative from Material Management and Contracting Services is invited to give a presentation on key contracting requirements specifically the documentation of supplier selection process at an upcoming Celebrate Canada employee teleconference.

The program will ensure that departmental and Treasury Board contracting directives are integrated into the working group's efforts on common guidelines, tools, etc.

Implementation Date: March 31, 2006

RECOMMENDATIONS

APPENDIX I

This appendix lists the recommendations in section 6.0 of this report.

Recommendations	Reference
<p>INTERNAL PROCEDURES AND DIRECTIVES</p> <p>In order to ensure effective and consistent program management in the regional offices and the provincial committees, in compliance with departmental policies and directives, we recommend that Departmental Headquarters:</p> <ul style="list-style-type: none"> i) Establish terms of reference that include appropriate directives and internal procedures and communicate them to the regional offices and provincial committees ii) Provide appropriate training to program managers and staff to allow consistent implementation of directives and procedures. 	6.1
<p>RISK ANALYSIS AND MANAGEMENT</p> <p>To ensure appropriate management of program-specific risks, we recommend that Departmental Headquarters:</p> <ul style="list-style-type: none"> i) Review the risks identified in the Risk-Based Audit Framework to ensure that all program-specific risks are considered in the risk analysis ii) Re-evaluate program-specific risks with due regard to program specifics and findings reported during recent recipient audits iii) Formally identify, in co-operation with the regional offices, mitigation measures to implement in order to appropriately manage risks iv) Comply with mitigation measures specified in the Risk-Based Audit Framework, such as auditing two provincial committees annually. 	6.2
<p>EFFECTIVENESS OF PROGRAM MANAGEMENT</p> <p>In order to improve “Celebrate Canada!” program management efficiency, we recommend that Departmental Headquarters reduce the amount of information to be analyzed, approved and entered into the GCIMS system for low-value grants, with due regard to the risk management approach. To that end, Departmental Headquarters should consider the following possibilities:</p> <ul style="list-style-type: none"> i) Establish a financial threshold to define low-value grants ii) Re-evaluate the requirement to use the GCIMS system to process low-value grants iii) Assess transferring the responsibility for making payments of low-value grants to the provincial committees and consider the control framework requirements. 	6.3

RECOMMENDATIONS (CONTINUED)

APPENDIX I

Recommendations	Reference
<p>CRITERIA AND REQUIREMENTS RELATED TO GRANT APPLICATIONS</p> <p>In order to ensure consistent interpretation and application of the funding criteria and requirements and to minimize potential risks, with due regard to the risk management approach, we recommend that Departmental Headquarters:</p> <ul style="list-style-type: none"> i) Develop the required internal procedures and directives and distribute them to the regional offices ii) Provide appropriate training to program managers and staff iii) Incorporate a specific space to indicate the date of signature on the waiver and fireworks authorization forms that are included in the funding application distributed by the Department. 	<p>6.4</p>
<p>ANNUAL ALLOCATION OF FUNDING PER APPLICANT</p> <p>To improve the decision-making process for the annual allocation of funding per applicant, with due regard to the risk management approach, we recommend that Departmental Headquarters:</p> <ul style="list-style-type: none"> i) Make the process for documenting recommendations of the Grants Review Committees consistent by developing and distributing appropriate internal procedures ii) Have the Grants Review Committees justify in writing any significant annual variation in the year-to-year funding granted to applicants. iii) Have the regional offices compile and share historical information with the Grants Review Committees on revenues and expenditures actually incurred as well as compliance with funding criteria and requirements. 	<p>6.5</p>
<p>APPROVAL OF RECOMMENDATIONS AND REQUESTS FOR PAYMENT</p> <p>To ensure consistency in the approval of funding recommendations and certification pursuant to section 34 of the FAA, we recommend that Departmental Headquarters:</p> <ul style="list-style-type: none"> i) Change the approval and payment form to include a reference to section 34 in the space reserved for certification of the request for payment ii) Send instructions to all regional offices regarding the use of batch reports for approving recommendations and certifying requests for payment under \$3,000 so as to reduce the volume of documents to approve by hand. iii) Ensure that the regional offices change information appearing in batch reports for the approval of recommendations and certification of requests for payment under \$3,000 so that the approved amounts can be certified in compliance with section 34 of the FAA. 	<p>6.6</p>

RECOMMENDATIONS (CONTINUED)
APPENDIX I

Recommendations	Reference
<p>CONFIRMATION AND PAYMENT OF RECIPIENT FUNDING</p> <p>To provide confirmation and payment of grants and contributions a reasonable amount of time before the celebrations are held without increasing the risk that funds will be used for purposes other than those of the program, we recommend that Departmental Headquarters:</p> <ul style="list-style-type: none"> i) Adopt a standard calendar in order to establish deadlines with respect to authorization of proposed funding by the provincial committees, certification under section 34 of the FAA, Deputy Minister approval for agreements over \$3,000, and confirmation and payment of recipients. ii) Standardize the process of confirming funding granted to recipients with due regard to the work required on the part of program officers and departmental staff iii) Move up the deadline for submitting applications for funding so as to accelerate the funding recommendation approval process. 	6.7
<p>POST-MORTEM EVALUATION AND FOLLOW-UP</p> <p>To ensure proper and consistent post-mortem follow-up of events funded by the program, we recommend that Departmental Headquarters do the following using a risk management approach:</p> <ul style="list-style-type: none"> i) Develop directives with respect to mechanisms for following up actual data reported by recipients and communicate the directives that should cover the following elements to the regional offices: <ul style="list-style-type: none"> • Review of data reported by recipients • Handling of declared surpluses • Ineligible expenditures • Accuracy of reported financial data ii) Render a decision on the nature of documents and information to be provided by recipients with respect to post-mortem follow-up, such as receipts, supporting documentation, press clippings and photos, and inform the regional offices and applicants of the decision iii) Consider that recipients should provide receipts and supporting documentation for an amount equivalent to the value of the funding granted by the Department iv) Provide appropriate training to program managers and staff v) Ensure that the regional offices share the results of post-mortem follow-up with the provincial committees in order to improve the decision-making process for allocating funding per applicant. 	6.8
<p>PROVINCIAL COMMITTEES</p> <p>To ensure proper functioning and follow-up of the provincial committees in compliance with the program Orientation Manual, we recommend the following for the regional offices:</p> <ul style="list-style-type: none"> i) Delegate a departmental representative as an observer at provincial committee board of directors' meetings ii) Develop and implement a contingency plan to provide replacement provincial committee members should any of them depart. 	6.9

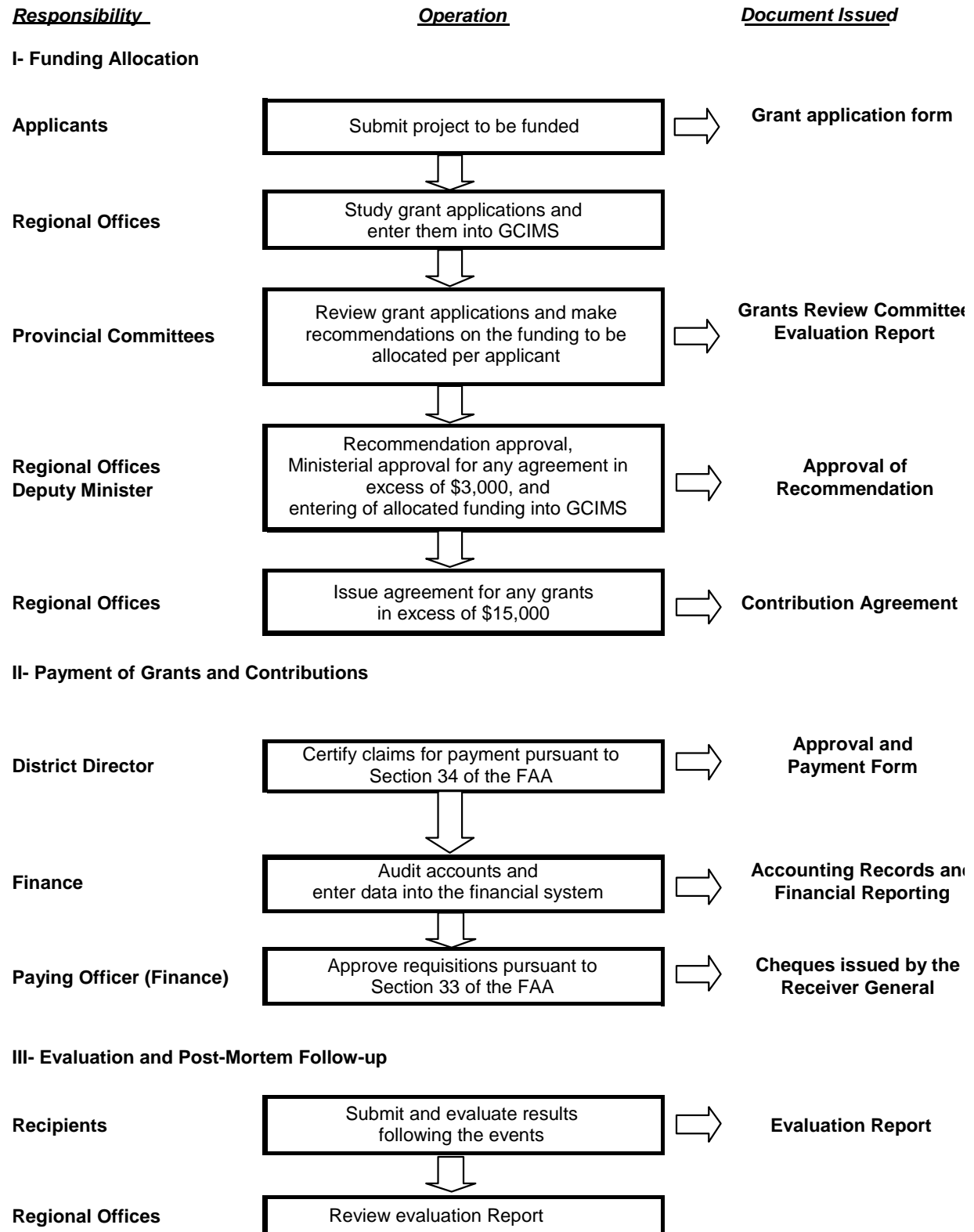
RECOMMENDATIONS (CONTINUED)

APPENDIX I

Recommendations	Reference
<p>CONTRIBUTION AGREEMENTS</p> <p>In order to minimize the risk of public criticism of the Department with respect to funding recipients through contributions, we recommend that Departmental Headquarters, with the assistance of the Centre of Expertise, Grants and Contributions, implement the following:</p> <ul style="list-style-type: none">i) Identify and standardize clauses that should be included in contribution agreements (such as the obligation to reimburse any generated surplus to the Department)ii) Ensure that the regional offices include any clauses required for the proper management of the activities of recipients receiving large portions of funding through the program.	6.10
<p>OPERATING EXPENDITURES</p> <p>To ensure compliance with Treasury Board contracting directives, we recommend that the regional offices document the supplier selection process for audit program purposes.</p>	6.11

“CELEBRATE CANADA!” FINANCIAL CYCLE

APPENDIX II



AUDIT CRITERIA

APPENDIX III

The audit criteria applied to this engagement are the following:

- Policies, procedures, and instructions are suitable and deliver the program with respect to objectives, expected results and program eligibility requirements
- Program manager roles and responsibilities are clearly defined, communicated and interpreted
- Processes and systems ensure that the funding granted was spent properly and that program performance is measured and reported to program managers
- The Risk-Based Audit Framework complies with Treasury Board standards
- Department follow-up of risk management meets the requirements of the Risk-Based Audit Framework
- The program management framework provides appropriate follow-up of expenditures, payments to recipients and surplus recovery, in compliance with departmental and Treasury Board policies and procedures
- Information provided by applicants allows for informed decision-making with respect to the granting of funds
- Funding per applicant is granted and approved based on impartial criteria, thus ensuring a process that is transparent for Canadians
- Requests for payment under the program are approved in compliance with the *Financial Administration Act*
- The terms, conditions and other contract clauses stipulated in grant applications and contribution agreements are observed and comply with program criteria
- The program is managed efficiently and economically so as to limit the use of program resources.