

**REVIEW OF THE MONITORING OF AGREEMENTS UNDER THE
COMMUNITY ADJUSTMENT FUND (CAF) AND THE
RECREATIONAL INFRASTRUCTURE CANADA PROGRAM (RIInC)**

REPORT

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CANADA ECONOMIC DEVELOPMENT



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1. EXECUTIVE SUMMARY

1.1 Background

In January 2009, the Government of Canada announced the implementation of Canada's Economic Action Plan (CEAP) to respond to the economic difficulties caused by the economic crisis. Two components were relevant to the Economic Development Agency of Canada for the Regions of Quebec (the Agency): the Community Adjustment Fund (CAF) and the Recreational Infrastructure Canada (RInC) Program. The CAF ended on March 31, 2011, and the RInC Program is scheduled to end on October 31, 2011. The primary objective of the CEAP is to protect and create jobs during the global economic downturn.

The CAF is delivered under the Agency's regular programs, namely Community Diversification and Business and Regional Growth. It should be noted that the CAF also includes eight contribution agreements with Quebec (Canada-Quebec Agreements) for forestry work and the restoration of bridges and culverts (CAF-Forest). The total budget for Quebec for these two CAF components is \$203 million over two years. The second initiative, the RInC Program, has Canada-wide funding of \$500 million. The objectives of the RInC Program are to increase investment in recreational facilities and to create jobs. Of the \$500 million announced in January 2009, \$78 million was allocated to Quebec and is scheduled to be paid in the form of contributions. The Government of Quebec, under a Canada-Quebec agreement, has primary responsibility for the delivery of the RInC Program in Quebec. In addition, a total of \$2 million was set aside in the same resource envelope for the First Nations of Quebec. It is the Agency that is responsible for implementing the RInC Program for projects with First Nations.¹

The short duration of RInC Program initiatives (2009–2010), and the substantial increase in funding earmarked for grants and contributions, increases the risks associated with the delivery of these initiatives. Furthermore, the implementation of the CAF and the RInC Program has been one of the Agency's priorities since 2009.

With this in mind, this review was therefore included in the Three-Year Risk-Based Audit Plan. It is the fourth engagement of the CEAP. Three audits were completed in 2010:

- ✓ Internal audit of the financial management framework for initiatives related to Canada's Economic Action Plan (CEAP)
- ✓ Internal audit of the coordination of funding provided under the CAF and the RInC Program
- ✓ Internal audit of project analyses under the CAF and the RInC Program

¹ These projects follow more or less the same delivery procedures as regular CAF projects. For the purposes of the review findings, therefore, given the low monetary value of this component, we combined these projects with regular CAF projects, unless otherwise indicated.

Rather than a full audit with a high level of assurance, we conducted a limited engagement based on the following considerations:

- With the exception of the CAF-Forest and the RInC-First Nations components, the procedure for monitoring CAF agreements is carried out according to the process that applies to the Agency's regular programs. We audited this process during the period from fiscal 2008-2009 to 2009-2010.
- Monitoring of RInC Program projects is similar to the monitoring of regular infrastructure programs, which we have also audited on a regular basis.
- A review allowed us to more rapidly confirm the monitoring mechanisms applied in the case of the CAF and the RInC Program.

1.2 Primary objective of the review

The primary objective of this review is to determine whether the Agency has set up effective and appropriate mechanisms for monitoring activities associated with CAF and RInC Program initiatives.

1.3 Scope of the review

The review focused on the monitoring activities carried out and aimed to provide assurance that projects are appropriately monitored for the purpose of ensuring that they are carried out in accordance with agreements, and for ensuring that expense claims are correctly processed.

For the purposes of the review, we selected five CAF files and one RInC-First Nations file from six different business offices, one CAF-Forest agreement and, finally, the overall RInC Program monitoring file. Four of the six CAF and RInC-First Nations agreements examined had been deemed high-risk by the Agency, whereas the two others were considered as having a medium level of risk.

The review was conducted between December 2010 and March 2011.

1.4 Methodology

The engagement was conducted by Internal Audit Branch personnel.

The approach taken consisted of the following phases:

1. risk-based review planning;
2. development of a review program;
3. validation of review criteria with the client;
4. selection of a sample of agreements;
5. interviews and discussions with key representatives;

6. review of relevant project files and documentation;
7. formal and informal interviews with advisors and directors at the various business offices;
8. validation of findings with the stakeholders involved;
9. drafting of the review report;
10. soliciting feedback from the individuals responsible for the targeted processes and for the senior management action plan;
11. presenting the report to the Departmental Management Committee; and
12. presenting the report to the Departmental Audit Committee.

1.5 General observations

In my opinion, the Agency has fulfilled its responsibilities in a diligent and responsible manner as concerns the monitoring of contribution agreements under the CAF and the RInC Program. The practices observed comply with operational directives and reduce the associated risks to an acceptable level.

1.6 Strengths identified

The review revealed a number of good practices.

As concerns the CAF and the RInC–First Nations Program:

- The risk assessment used to determine the frequency of project monitoring and the method of processing claims had been completed and was included in the files.
- An additional project monitoring mechanism had been set up, namely a table that allows for more rigorous monitoring (every two weeks) of all CAF projects, based on the level of risk that the project will not meet the targeted completion date.
- During the processing of claims, the eligibility of expenses had been analyzed and documented by advisors, in accordance with Agency directives.
- In four of the six projects examined, at least one visit to the project site had taken place, and these visits were documented in the files. In the case of one of the remaining agreements, a visit had been planned.
- Summaries of phone conversations and meetings that had taken place as part of the monitoring process had been included in the files, an indication of the thoroughness of the process.

As concerns CAF–Forest and the RInC Program:

- All of the claims had been certified by the proponent or by Quebec as to the eligibility of the costs.
- Risk-based project and claim monitoring protocols had been put in place.

1.7 Areas for improvement

Based on the findings of this summary review of the monitoring of CAF and RInC Program agreements, we have not identified any areas for improvement other than those already noted in previous audits.

2. INTRODUCTION

2.1 BACKGROUND

In January 2009, the Government of Canada announced the implementation of Canada's Economic Action Plan (CEAP) to respond to the economic difficulties caused by the economic crisis. Two components were relevant to the Economic Development Agency of Canada for the Regions of Quebec (the Agency): the Community Adjustment Fund (CAF) and the Recreational Infrastructure Canada (RIInC) Program. The CAF ended on March 31, 2011, and the RIInC Program is scheduled to end on October 31, 2011. The primary objective of the CEAP is to protect and create jobs during the global economic downturn.

The CAF is delivered under the Agency's regular programs, namely Community Diversification and Business and Regional Growth. It should be noted that the CAF also includes eight contribution agreements with Quebec (Canada-Quebec Agreements) for forestry work and the restoration of bridges and culverts (CAF-Forest). The total budget for Quebec for these two CAF components is \$203 million over two years. The second initiative, the RIInC Program, has Canada-wide funding of \$500 million. The objectives of the RIInC Program are to increase investment in recreational facilities and to create jobs. Of the \$500 million announced in January 2009, \$78 million was allocated to Quebec and is scheduled to be paid in the form of contributions. The Government of Quebec, under a Canada-Quebec agreement, has primary responsibility for the delivery of the RIInC Program in Quebec. In addition, a total of \$2 million was set aside in the same resource envelope for the First Nations of Quebec. It is the Agency that is responsible for implementing the RIInC Program for projects with First Nations.²

The short duration of RIInC Program initiatives (2009–2010), and the substantial increase in funding earmarked for grants and contributions, increases the risks associated with the delivery of these initiatives. Furthermore, the implementation of the CAF and the RIInC Program has been a priority for the Agency since 2009.

With this in mind, this review was therefore included in the Three-Year Risk-Based Audit Plan. It is the fourth engagement of the CEAP. Three audits were completed in 2010:

- ✓ Internal audit of the financial management framework for initiatives related to Canada's Economic Action Plan (CEAP)
- ✓ Internal audit of the coordination of funding provided under the CAF and the RIInC Program
- ✓ Internal audit of project analyses under the CAF and the RIInC Program

2. These projects follow more or less the same delivery procedures as regular CAF projects. For the purposes of the audit findings, therefore, given the low monetary value of this component, we combined these projects with regular CAF projects, unless otherwise indicated,

Rather than a full audit with a high level of assurance, we conducted a limited engagement based on the following considerations:

- With the exception of the CAF-Forest and the RInC-First Nations components, the procedure for monitoring CAF agreements is carried out according to the process that applies to the Agency's regular programs. We audited this process during the period from fiscal 2008-2009 to 2009-2010.
- Monitoring of RInC Program projects is similar to the monitoring of regular infrastructure programs, which we have also audited on a regular basis.
- A review allowed us to more rapidly confirm the monitoring mechanisms applied in the case of the CAF and the RInC Program.

2.2 REVIEW OBJECTIVES AND CRITERIA

The primary objective of this review is to determine whether the Agency has set up effective and appropriate mechanisms for monitoring activities associated with the CAF and the RInC Program initiatives.

The following objectives and criteria take into consideration the relevant risks identified in the Three-Year Risk-Based Audit Plan, in Treasury Board submissions for CAF and the RInC Program initiatives, in risk exercises conducted by the Office of the Comptroller General (OCG) and in interviews held prior to this review with Agency representatives. They also take into account the audit criteria identified by the Office of the Auditor General of Canada (OAG) for the PAEC.

Objective 1 pertains to CAF and RInC Program components for which monitoring is the Agency's responsibility, whereas Objective 2 applies to those components for which Quebec is responsible.

A. CAF AND RInC-FIRST NATIONS

Objective 1	As concerns CAF and RInC-First Nations projects, to determine whether the Agency applies effective and efficient monitoring measures commensurate with the level of risk.
Criteria	<p>Criterion 1</p> <p>CAF and RInC-First Nations project monitoring activities, and the frequency thereof, are adjusted according to the level of risk represented by the recipient and its project.</p>

	<p>Criterion 2</p> <p>Recipients' claims are appropriately processed in order to ensure that the costs claimed correspond to the eligible costs authorized in the contribution agreement.</p> <p>Criterion 3</p> <p>The projects are appropriately monitored in order to certify that the recipient of the funding complies with the obligations and performance objectives set forth in the contribution agreement.</p> <p>Criterion 4</p> <p>Amendments to the agreements are justified and approved by authorized representatives of the recipient and the Agency.</p>
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B. CAF-Forest and the RInC Program

Objective 2	To determine whether the Agency has taken appropriate measures to ensure that Quebec introduces efficient systems and procedures for monitoring CAF-Forest and RInC Program agreements.
Criteria	<p><u>CAF-Forest</u></p> <p>Criterion 5</p> <p>In the case of CAF-Forest agreements, the Agency oversees the application of mechanisms and procedures aimed at ensuring compliance with the terms and conditions of the agreements as concerns project and claim monitoring.</p> <p><u>RInC Program</u></p> <p>Criterion 6</p> <p>In the case of RInC Program agreements, the Agency oversees the application of mechanisms and procedures aimed at ensuring compliance with the terms and conditions of the agreements as concerns project and claim monitoring.</p>

2.3 SCOPE OF THE REVIEW

The review focused on the monitoring activities carried out and aimed to provide assurance that projects are appropriately monitored for the purpose of ensuring that they are carried out in accordance with agreements, and for ensuring that expense claims are correctly processed.

For the purposes of the review, we selected five CAF files and one RInC–First Nations file from six different business offices, one CAF–Forest agreement and, finally, the overall RInC Program monitoring file. Four of the six CAF and RInC–First Nations agreements examined had been deemed high-risk by the Agency, whereas the two others were considered as having a medium level of risk.

The review was conducted between December 2010 and March 2011.

2.4 METHODOLOGY

The engagement was conducted by Internal Audit Branch personnel.

The approach taken consisted of the following phases:

1. risk-based review planning;
2. development of a review program;
3. validation of review criteria with the client;
4. selection of a sample of agreements;
5. interviews and discussions with key representatives;
6. review of relevant project files and documentation;
7. formal and informal interviews with advisors and directors at the various business offices;
8. validation of findings with the stakeholders involved;
9. drafting of the review report;
10. soliciting feedback from the individuals responsible for the targeted processes and for the senior management action plan;
11. presenting the report to the Departmental Management Committee; and
12. presenting the report to the Departmental Audit Committee.

2.5 ACKNOWLEDGEMENTS

We would like to thank Agency representatives for their invaluable co-operation and the keen interest they demonstrated throughout the course of the review.

3. REVIEW FINDINGS

As part of the CAF and the RInC Program, the Agency is responsible for implementing thorough and comprehensive monitoring measures aimed at ensuring the sound management of its contribution agreements. These measures must be efficient, effective and commensurate to the level of risk associated with the agreements, and must allow the Agency to adequately monitor claims and rigorously monitor the recipient's financial situation, the progress of the project, compliance with specific clauses of the agreement, and the results achieved.

General observation

In our opinion, the Agency has fulfilled its responsibilities in a diligent and responsible manner as concerns the monitoring of contribution agreements under the CAF and the RInC Program. The practices observed comply with operational directives and reduce the associated risks to an acceptable level.

Strengths identified

The review revealed a number of good practices.

As concerns the CAF and the RInC–First Nations Program:

- The risk assessment used to determine the frequency of project monitoring and the method of processing claims had been completed and was included in the files.
- An additional project monitoring mechanism had been set up, namely a table that allows for more rigorous monitoring (every two weeks) of all CAF projects, based on the level of risk that the project will not meet the targeted completion date.
- During the processing of claims, the eligibility of expenses had been analyzed and documented by advisors, in accordance with Agency directives.
- Four of the six projects examined had involved at least one visit to the project site, and these visits were documented in the files. In the case of one of the remaining agreements, a visit had been planned.
- Summaries of phone conversations and meetings that had taken place as part of the monitoring process had been included in the files, an indication of the thoroughness of the process.

With respect to the CAF–Forest and the RInC Program:

- All of the claims had been certified by the proponent or by Quebec as to the eligibility of the costs.
- Risk-based project and claim monitoring protocols had been put in place.

Review findings and areas for improvement

A. The CAF and the RInC–First Nations Program

Objective 1: As concerns CAF and RInC–First Nations projects, the Agency applies effective and efficient monitoring measures commensurate with the level of risk.

3.1 Adjustment of monitoring activities for CAF and RInC–First Nations project agreements	
Findings	<p>Background</p> <p>According to departmental directives, the frequency of monitoring activities depends on the level of risk established for each specific agreement. In the case of medium-risk agreements, the directives recommend that claim monitoring and project monitoring (review of the financial situation, project progress, compliance with specific clauses and the results achieved) be conducted on an annual basis. For agreements considered to have a high level of risk, these two types of monitoring should be performed on a quarterly basis or more frequently.³ In the event of a change in the proponent's financial or operational situation, the advisor must review the risk rating and, if necessary, adjust the monitoring program accordingly. A deterioration in the situation generally results in stricter monitoring, whereas an improvement usually means less monitoring is required.</p> <p>In December 2010, the Agency introduced another process, in addition to the one mentioned above. A table was developed to allow for more rigorous monitoring (every two weeks) of all CAF projects, based on the level of risk that the project will not meet the targeted completion date. This had an impact on the monitoring frequency of a number of projects, including projects associated with the agreements selected for this review.</p> <p>Observations</p> <p>The sample of CAF and RInC Program agreements consisted of four high-risk and two medium-risk agreements. We did not include any low-risk agreements.</p> <p>In the selected files, no changes had been made to the risk ratings during the period under review.</p>

3 .As specified in Section 1.2.2 C) of the Agency's *Risk Management Model*.

3.1 Adjustment of monitoring activities for CAF and RInC–First Nations project agreements	
	<p><i>Adjustment of monitoring activities</i></p> <p>The six files examined revealed that the business offices had complied with internal directives:</p> <ul style="list-style-type: none"> • The risk evaluation for establishing the frequency of monitoring (Grid 2) had been appropriately completed; and • Claim monitoring and project monitoring had been carried out according to the minimum recommended frequencies. <p>In the majority of the agreements examined, this frequency had been increased, especially after the introduction in December 2010 of the above-mentioned monitoring table. This tool allowed the Agency to more closely monitor the progress of projects to ensure that they were completed by the March 31, 2011, deadline.</p>
Impact/Risks	It is our opinion that the frequency of claim monitoring and project monitoring carried out for the agreements examined allowed the Agency to act in a diligent and responsible manner in order to mitigate the associated risks.
Areas for Improvement	None. We are satisfied with the action taken as concerns the adjustment of monitoring activities for CAF and RInC–First Nations project agreements.

3.2 Claim monitoring—CAF and RInC—First Nations projects

Findings	<p>Background</p> <p>The Agency has an obligation to monitor claims in order to ensure that the costs claimed correspond to the eligible costs authorized in the contribution agreement.</p> <p>According to internal Agency directives, business office advisors can process claims in one of two ways: they can either verify the supporting documents themselves, or they can obtain certification from the recipient's accountant, outside the organization.</p> <p>In the six files examined, it was the advisors themselves who had verified the supporting documents. In the case of one of the files, it was indicated that certification, by an external auditor, of the costs being claimed would be submitted by April 30, 2011. At the time of our review, this certification had not yet been requested.</p> <p>Observations</p> <p><i>Claim certificates and activity reports</i></p> <p>The claim certificates had been completed and had been signed by the recipients' authorized signing authorities for agreements with the Agency. Claims that complied with the agreement, including costs broken down by category, as well as activity reports, were found in each file.</p> <p><i>Verification of the eligibility of costs claimed</i></p> <p>For all of the projects examined, on average, 70% of the supporting documents had been verified by the advisor, including copies of invoices and proof of payment.</p> <p>The business offices verified the following:</p> <ul style="list-style-type: none">✓ supplier's name✓ proponent's confirmation as recipient of the service✓ invoice amount✓ invoice date✓ nature of the expenditure (description of the goods or service and eligible costs according to Appendix A of the agreement)✓ duplicate payments
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3.2 Claim monitoring—CAF and RInC–First Nations projects

	<p>Documentation in the files showed that the often highly specialized validation of the goods and services claimed was supported by oral and written queries for the recipient, on-site visits and expert reports submitted by the recipient.</p> <p>We noted audit trails and traces of analyses in the files indicating, in the case of all of the claims that we examined, that the advisor had verified the costs claimed against the expenses allowed under the agreement.</p> <p><i>Management of advances</i></p> <p>The two advances granted in the case of two different agreements were adequately managed. The requests were justified by forecasts, and cash flow requirements were investigated. The limit (25% of the contribution amount) was respected, and the advance had been recovered in subsequent claims.</p> <p><i>General observations</i></p> <p>We noted that the claims included a number of corrections and adjustments. Some of the adjustments had been made based on cost eligibility dates.</p>
Impact/Risk	We find that the claim monitoring activities carried out reduce the associated risks to an acceptable level.
Areas for Improvement	None. We are satisfied with the action taken as concerns the monitoring of claims submitted as part of CAF and RInC–First Nations project agreements.

3.3 CAF and RInC Program project monitoring

Findings	<p>Background</p> <p>In accordance with Agency directives and the level of risk associated with the agreement, advisors must monitor high-risk projects at least four times a year (quarterly monitoring) and medium-risk projects at least once a year (annual monitoring). These monitoring activities allow advisors to track the recipient's financial situation, the progress of the project, compliance with specific clauses of the agreement, and the results achieved.</p> <p>Observations</p> <p><i>Monitoring of the financial situation</i> Project monitoring includes analysing financial statements. These analyses make it possible to assess the entity's financial situation, validate debts owed to the Agency and check the proponent's financial structure.</p> <p>We found that, upon request (which was the case in four of the six agreements), the advisors had obtained and analyzed financial statements. In general, the files contained audit notes. For example, we found analytical notes calculating the entity's percentage increase in sales or its debt ratios, for the purpose of tracking performance.</p> <p><i>Monitoring of compliance with specific clauses</i> The terms and conditions of the agreement were satisfactorily monitored, i.e., on a quarterly basis or more frequently. Some business offices used a summary table for monitoring the terms and conditions of the agreement, while others used a generic checklist.</p> <p><i>Monitoring the progress of the project</i> The required activity reports to be submitted with the claims were included in the files. These reports had been validated by means of at least one visit to the recipient's workplace in the case of four of the six projects examined (typically when the project was between 50% and 100% completed). In one of the two remaining projects, a visit had been planned to coincide with the final payment. The progress of the other project was supported by progress reports submitted by the proponent and by meetings with the project manager and another funder as part of the</p>
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3.3 CAF and RInC Program project monitoring

	<p>activities of a monitoring committee.</p> <p><i>Monitoring of results achieved</i></p> <p>The ultimate goal of the CAF is to create and/or maintain jobs. In the case of the RInC Program (including RInC–First Nations), the primary expected outcome is an increase in investment in infrastructure; job creation, if applicable, is secondary. We noted that the results of the projects examined were monitored in relation to the claims, i.e. on a quarterly basis or more frequently. For example, during the period towards the end of the project, monitoring was often conducted on a monthly basis, and sometimes even every two weeks.</p> <p>In order to measure the jobs created or maintained under the CAF, the business offices compared the number of jobs at the start of the project with the number at the end of the project. The results were, in all cases, certified by the proponent’s representative. In three of the six offices examined, additional proof was requested, such as statements of earnings, payroll registers and even the names of employees. The business offices explained to us that, in addition to this proof, they could always conduct additional results monitoring, by sampling, at the end of the initiative.</p> <p>In the case of the RInC–First Nations project examined, the jobs created or maintained and the value of the infrastructure investment had not been reconciled. In the interview, we learned that this reconciliation would be performed by Finance Canada, which was responsible for evaluating these results using a macroeconomic analysis based on the leverage effect created by the investment.</p>
Impact/Risk	We are satisfied with the project monitoring practices observed, and find that they reduce the associated risks to an acceptable level.
Areas for Improvement	None. We are satisfied with the action taken as concerns CAF and RInC Program project monitoring.

3.4 Amendments to CAF and RInC–First Nations agreements	
Findings	<p>Background</p> <p>Minor and major amendments to the agreements must be justified by means of an analysis conducted by an advisor, and approved by authorized representatives of the Agency and the recipient.</p> <p>Observations</p> <p>All of the amendments examined were justified based on a detailed analysis conducted by the advisor and included in the file. The required approvals were also documented in the files. In the case of major amendments, the request for an amendment to the agreement had been approved by senior management.</p>
Impact/Risk	We are satisfied with the practices observed as concerns amendments to agreements.
Areas for Improvement	None. We are satisfied with the action taken as concerns amendments to CAF and RInC–First Nations project agreements.

B. CAF-Forest AND THE RINC PROGRAM

Objective 2: The Agency has taken appropriate measures to ensure that Quebec introduces efficient systems and procedures for monitoring CAF-Forest and RInC Program agreements with recipients, in accordance with Canada-Quebec agreements.

CAF-Forest

3.5 Mechanisms and procedures for monitoring CAF-Forest agreements	
Findings	<p>Background</p> <p>CAF-Forest projects are implemented by the Government of Quebec in accordance with the terms and conditions set out in Canada-Quebec agreements. Under these agreements, the Agency must be able to certify that Quebec has set up appropriate mechanisms and procedures for monitoring projects and claims.</p> <p>In partnership with Quebec, the Agency has developed a risk-based strategy for overseeing monitoring activities carried out by Quebec.</p> <p>Observations</p> <p><i>Claim monitoring</i></p> <p>The Agency had obtained from Quebec, in a timely manner, relevant information regarding recipients' claims. Tables listing claims signed by Quebec, with details about the projects, were included in the files. The Agency advisor in charge had used this information to conduct an initial cost analysis. Reports from independent experts, i.e., forest engineers, were also included in the files. These experts certified that the work and material (wood species) costs were eligible, and that the work had indeed been carried out. The Agency advisor had thoroughly checked some of the claims (using photocopies of supporting documents), including a review of the nature of the costs claimed in relation to the approved projects.</p> <p>These monitoring activities had been performed for the fall of 2010 and the winter of 2011.</p>

3.5 Mechanisms and procedures for monitoring CAF-Forest agreements	
	<p><i>Project monitoring</i></p> <p>The Agency had set up the following project monitoring procedures and mechanisms:</p> <ul style="list-style-type: none"> • Submission by Quebec of various documents informing the Agency of the financial and forest monitoring processes and practices that have been set up. • Submission by Quebec of various documents, supported by the required evidence and certification, demonstrating the work that has been carried out. • Regular meetings of the federal-provincial management committee to assess work progress. • Submission by Quebec of reports on jobs created (according to a tested and approved methodology) when the claim tables are submitted. • On-site visits by Quebec and Agency representatives to check project results, if recipients have not provided this information in a timely manner (according to the risk management table, such a visit had been made at the time of the review).
Impact/Risk	We are satisfied with the measures taken by the Agency to certify that Quebec has set up appropriate mechanisms and procedures for monitoring projects and claims under the CAF-Forest.
Areas for Improvement	None. We are satisfied with the action taken as concerns the setting up of mechanisms and procedures for monitoring CAF-Forest agreements.

RInC Program

3.6 Mechanisms and procedures for monitoring RInC Program agreements	
Findings	<p>Background</p> <p>The federal contribution to RInC Program projects represents half of the total cost.</p> <p>Like CAF–Forest projects, RInC Program projects (except for RInC–First Nations projects) are implemented by the Government of Quebec in accordance with the terms and conditions of a Canada-Quebec agreement. The Agency monitors projects and claims according to established protocols established in co-operation with Quebec and based on a risk analysis.</p> <p>Observations</p> <p><i>Claim monitoring</i></p> <p>The approach adopted for the RInC Program resulted in the setting up of the following claim monitoring procedures and mechanisms:</p> <ul style="list-style-type: none">• A firm of independent experts was mandated to conduct an audit for the purpose of providing assurance that Quebec (MAMROT⁴ and MELS⁵) monitors claims in accordance with the terms and conditions of the Canada-Quebec agreements.• An initial phase of this audit was under way at the time of the current review.• Quebec submits claims in the form of concise tables and fact sheets. These documents, which allow Agency advisors to ensure the reasonableness of the costs claimed by Quebec for each project, are appropriately analyzed and, if necessary, discussed with Quebec representatives at Management Committee meetings. <p><i>Project monitoring</i></p> <p>The adopted approach also resulted in the setting up of the following project monitoring procedures and mechanisms:</p>

4. Ministère des Affaires municipales, des Régions et de l'Occupation du territoire.

5. Ministère de l'éducation, du loisir et du sport.

3.6 Mechanisms and procedures for monitoring RInC Program agreements	
	<ul style="list-style-type: none"> • Submission by Quebec on a regular basis (usually bi-monthly) of tables that allow the Agency to track the progress of projects up until their completion. We noted that these tables were included in the files and that they had been analyzed. • Possibility of on-site visits by representatives of Quebec to verify project results, if recipients have not provided this information in a timely manner.
Impact/Risk	We are satisfied with the measures taken by the Agency to certify that Quebec has set up appropriate mechanisms and procedures for monitoring claims and monitoring projects under the RInC Program.
Areas for Improvement	None. We are satisfied with the action taken as concerns the setting up of mechanisms and procedures for monitoring RInC Program agreements.

4. CONCLUSION

In my opinion, the Agency has fulfilled its responsibilities in a diligent and responsible manner as concerns setting up efficient and appropriate mechanisms for monitoring CAF and RInC Program agreements. The practices observed comply with operational directives and reduce to an acceptable level the associated risks.