Horizontal Internal Audit of the Grants and Contributions Management Control Framework in Small Departments and Agencies

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Office of the Comptroller General

Contents

Executive Summary

The objective of this audit was to provide assurance that the governance, risk management, and control processes over grant and contribution programs are being executed in compliance with the Treasury Board *Policy on Transfer Payments* (2008).

Why This Is Important

The Government of Canada spends approximately $29 billion[1] a year on non-statutory grants and contributions. "Their tangible results touch the lives of Canadians and others every day, and cover all sectors of society…Grants and contributions enable and engage a wide diversity of skills and resources outside the federal government that are well placed to further Canadian aims, contribute to building a strong society and a competitive nation that is inclusive and respectful of Canadian values and Canada's linguistic duality."[2]

The management and the execution of grant and contribution programs are subject to intense public scrutiny. Canadians expect these programs to be managed so that recipients are appropriately funded and that program

spending achieves its intended results. It is therefore essential that governance, risk management, and control processes exist to support decision making and provide for transparency over key decisions in the administration of grants and contributions.

Key Findings

Grant and contribution programs across small departments and agencies (SDAs) vary both in size and in scope. Some SDAs use grants and contributions as the main vehicle for delivering their mandate. These SDAs must transparently assess and approve multiple applications in determining their grant and contribution recipients, and actively monitor recipients to ensure that they continue to meet their funding agreements. Other SDAs have limited grant and contribution programs, and some of these have only a single recipient of their funding. The requirements of the *Policy on Transfer Payments* are applicable to all transfer payment programs.

It is management's responsibility to establish systems and processes (either formally or informally) that enable managers to be involved in critical decision making, to ensure that control systems are in place to mitigate risks, and to monitor program results. For SDAs with multiple recipients, these systems and processes are especially important for ensuring that decision making is consistent and transparent. These SDAs are making efforts to strengthen their approval structures, but they will require more clearly defined roles to ensure the independence of recipient review committees that propose and approve funding decisions. SDAs with multiple recipients need to make more progress toward standardizing their administrative control processes for delivering grants and contributions to ensure that all requirements are consistently followed and that adequate documentation exists to support decisions and provide reliable guidance for staff. Finally, formal monitoring and reporting processes have not been established in SDAs with multiple recipients, hindering the ability to measure program performance.

SDAs with multiple recipients must make a description of the program and eligibility requirements publicly available. However, we found that the criteria against which applications are assessed are not made publicly available by all SDAs. Decisions on funding for grants and contributions are not well documented by SDAs with multiple recipients, resulting in a lack of transparency in decision making. For all SDAs, program financial controls are working effectively.

We found that SDAs with multiple recipients are not applying a risk-based approach to recipient monitoring and reporting. Some of these SDAs do not have a recipient risk assessment strategy. SDAs monitor recipients' progress through reports, site visits, phone calls, and other informal monitoring processes but do not vary recipient monitoring and reporting requirements based on risk. Greater efficiencies could be achieved, including a reduction in the reporting burden for recipients, by focussing resources and requirements on high-risk recipients.

We found that SDAs have taken initial steps to meet the reform requirements of the *Policy on Transfer Payments* (2008). One SDA included in our audit is working with the Treasury Board of Canada Secretariat's Centre of Expertise on achieving reform objectives. Some SDAs are beginning to implement internal service standards to meet the requirements of the policy when their programs terms and conditions are continued. SDAs are engaging recipients for feedback on the ongoing delivery of their grant and contribution programs.

Conclusion

Overall, governance and control processes in SDAs address the requirements of the Policy for Transfer Payments, while risk management strategies have not been developed or implemented.

The requirements established by the *Policy for Transfer Payments* for the management of grants and contributions are appropriate for SDAs, whether they have multiple recipients or a single recipient. Management control frameworks within SDAs are in place but are not fully developed. For SDAs with multiple recipients, monitoring and reporting requirements are not based on risk assessments, and control processes do not provide for transparency in decision making. However, for all SDAs, financial claims are managed with due diligence.

Conformance With Professional Standards

The conduct of this engagement conforms to the *Internal Auditing Standards for the Government of Canada*, which incorporate The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.[3]

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Background

Grants and contributions are funds dispersed by the Government of Canada to further a policy or priority for which it does not receive goods, services, or assets in return.

Grants and contributions offer a cost-effective way for the Government of Canada to pursue its objectives through non-governmental resources, such as not-for-profit organizations and private research facilities, and support investments in research, innovation, social and community development, health care, and international initiatives.

The Government of Canada's grant and contribution programs are governed by the Treasury Board *Policy on Transfer Payments* and the supporting *Directive on Transfer Payments*. Under the policy, grant and contribution programs must be managed with integrity, transparency and accountability, and in a manner that is sensitive to risks. They must also be citizen-focused, and designed and delivered to address government priorities in achieving results for Canadians.[4]

The appropriate balance of regulation and freedom of administration in grant and contribution programs has historically been difficult to achieve. In 2006, the President of the Treasury Board commissioned an independent blue ribbon panel "to recommend measures to make the delivery of grant and contribution programs more efficient while ensuring greater accountability." The panel's report, *From Red Tape to Clear Results,* identified a fundamental need for change in the way the government understands, designs, manages, and accounts for grant and contribution programs. The report also highlighted that the simplification of administrative requirements for recipients and program administration could strengthen accountability in the management of grant and contribution programs.

In 2008, in response to the Blue Ribbon Panel's recommendations, and as part of the *Government of Canada Action Plan to Reform the Administration of Grant and Contribution Programs*, new requirements were added to the *Policy on Transfer Payments*. Notably, the policy requires departments and agencies to work together to simplify program requirements, making them easier to use and understand by both the government and potential recipients. It also requires the establishment of departmental service standards and for the government to reach out to applicants for feedback on how to improve grant and contribution programs. Most of the program terms and conditions reviewed during this audit were approved before the *Policy on Transfer Payments* (2008) came into effect.

Some grants and contributions are mandated by statutory requirements, legislation or determined by formula. These grants and contributions, defined in the policy as "other transfer payments," were not covered by the audit.

Audit Objectives, Scope and Approach

Objectives and Scope

The objective of this audit was to provide assurance that the governance, risk management, and control processes over grant and contribution programs are being executed in compliance with the *Policy on Transfer Payments* (2008).

The scope of the audit included the review of a sample of grant and contribution programs delivered by SDAs in 2009–10.

The audit criteria and findings are presented in accordance with the administrative life-cycle of the grants and contributions process in four key areas:

- **Governance.** This area covers management's role in decision making and oversight of grant and contribution programs; performance monitoring against the objectives of a grant or contribution program; and the design of systems and practices to ensure that administrative processes are appropriately controlled to provide for accountability and transparency.
- **Program administration.** This area covers program promotion, project evaluation and approval processes, proactive disclosure, and the payment of recipient claims.
- **Risk Assessment.** After recipients are selected to receive funding under a contribution program, SDAs need to determine an appropriate level of monitoring and reporting requirements that will be required for each recipient based on risk. The monitoring and reporting requirements are often aligned to future payments to be made. Grants are unconditional transfer payments; once a project has been approved for funding, there should be no further monitoring or reporting requirements.

- **Reform.** This area relates to progress against the new reform requirements of the *Policy on Transfer Payments* (2008). As more SDA grant and contribution program terms and conditions are continued under the terms of the new policy, SDAs will explore ways to address the new requirements and how their business processes will be affected.

There were a total of seven SDAs that managed grant and contribution programs in 2010–11. One SDA (the National Film Board) was not reviewed as part of the audit, as it had recently completed an extensive program evaluation of its grant and contribution programs.

Six SDAs were reviewed during the horizontal audit of grants and contributions. (Appendix A contains a list of the SDAs examined.) The transfer payments for these SDAs accounted for approximately $25 million of non-statutory grants and contributions in 2009–10 and $470 million in 2010–11, including additional funds for Canada's Economic Action Plan.

Of the six SDAs examined in this audit, four have multiple recipients of their grant and contribution programs, and two have single recipients.

For three of the four SDAs with multiple recipients, grant and contribution programs are the main vehicle for delivering their mandate. For these SDAs, grants and contributions represent the overwhelming majority of funds spent annually. These SDAs are the Canadian Northern Economic Development Agency, the Federal Economic Development Agency for Southern Ontario, and Status of Women Canada.

The Canadian Environmental Assessment Agency uses grants and contributions to help inform their main business line, but grants and contributions do not represent a significant portion of its annual budget.

The Canadian Polar Commission and the Financial Transactions and Reports Analysis Centre of Canada have identified a single recipient for each of their limited contribution programs. Much of the life cycle of grants and contributions included in the program administration section above do not apply to SDAs that have only one recipient for their program.

Audit Approach

Planning

As part of the planning phase of this audit, we conducted an environmental scan of the management of grant and contribution programs to develop comprehensive criteria. The scan consisted of the following: discussions with policy experts within Treasury Board of Canada Secretariat; a review of Treasury Board policies and directives related to transfer payments; a review of the Independent Blue Ribbon Panel report on grant and contribution programs, *From Red Tape to Clear Results*; and a review of *The Government of Canada Action Plan to Reform the Administration of Grant and Contribution Programs*. We also met with departments and agencies that have conducted audits in this area to leverage their experience. Appendix B contains a list of legislation, frameworks, policies, directives and guidance used for this audit.

Examination

We conducted a detailed examination phase using the audit criteria outlined in Appendix C. Our examination consisted of interviews, documentation review, program and recipient file reviews, and financial transaction verification.

Reporting

Following the validation of audit findings with the participating SDAs, we developed horizontal findings from the results of the detailed examination. A draft report and a summary of applicable recommendations were sent to the SDAs that participated in the audit. Management Action Plans to address the findings and recommendations were requested. Appendix D contains a list of the recommendations. Appendix E contains a risk ranking of the recommendations.

Detailed Findings and Recommendations

Finding 1: Governance

Governance structures for grants and contributions in SDAs are not fully developed.

We examined governance structures and oversight over grant and contribution programs across government and within SDAs. We assessed roles and responsibilities identified in the Treasury Board *Directive on Transfer Payments* and how they were applied by SDAs to the administration of grants and contributions. We examined whether SDAs had determined appropriate approval structures for determining recipients of grant and contribution programs. We examined the control framework designed to meet applicable Treasury Board policy requirements, including the standardization of program administration. Finally, we examined the sufficiency of monitoring and reporting processes used to evaluate the grant and contribution programs as a whole and how these provided feedback to management.

It is management's responsibility to define systems and processes (either formally or informally) that enable managers to be involved in critical decision making, to ensure that control systems are in place to mitigate risks, and to monitor program results. For SDAs with multiple recipients, approval processes ensure that recipient selection and project funding levels are determined in a fair and transparent manner and that ultimate approval is done by those groups or individuals with delegated authority to do so. Standardized administration frameworks help ensure that controls are in place to respect government-wide policy requirements, to provide for accountability and transparency, and to mitigate other defined risks, especially when multiple recipients are involved.

For all SDAs that deliver grant and contribution programs, whether they have a single recipient or multiple recipients, monitoring and reporting processes provide information to enable oversight by management to ensure that the program is on track to achieve its objectives in a timely manner.

Government-wide policy requirements are appropriate in the SDA environment.

We found that the requirements of the Treasury Board *Policy on Transfer Payments* and the *Directive on Transfer Payments* were appropriate given the size and scope of grant and contribution programs in SDAs. The policy is principles-based and provides a reasonable framework for roles and responsibilities between central agencies and individual departments and agencies. The policy and its associated directive require a minimum set of controls that should be standardized to ensure that grants and contributions are managed with integrity and transparency and in a manner that is fair and sensitive to risks. The policy is consistent with the *Federal Accountability Act* in ensuring that senior management has accountability for critical decision making and oversight over the results of programs.

More specifically, the policy is appropriate for those SDAs that have identified a single recipient for their grant and contribution programs, provided the recipient is identified in the approved terms and conditions of the program. If the recipient is identified in the terms and conditions, the SDA may be exempt, with Treasury Board approval, from many of the policy requirements, specifically the need to publicly promote programs, to have standardized control processes, and to put in place risk assessment strategies for recipient monitoring and reporting requirements.

For SDAs that encounter challenges in implementing the *Policy on Transfer Payments*, TBS's Centre of Expertise on Grants and Contributions facilitates collaboration between departments and agencies to share good practices and provide guidance where needed.

SDAs with multiple recipients are making efforts to strengthen their approval structures.

Although not required by the *Policy on Transfer Payments*, some SDAs with multiple recipients have implemented recipient review committees composed of subject-matter experts to help make funding decisions. This activity is noted as a good practice when subject-matter expertise is required to assess the merits of potential recipients. Recipient review committees recommend recipients to senior management for approval.

The committees did not have documented guidance formally outlining their role in the assessment process or specifying requirements for independence to ensure that members would be free of any bias or conflict of interest. Because the roles of the recipient review committees are not defined, there is a risk that they may not ensure independence or lack of conflict of interest with potential recipients.

SDAs have not standardized their administrative control processes for the delivery of grants and contributions.

It is imperative that management understand the control framework used within their organizations to ensure that they are designed to mitigate risks and allow for appropriate oversight where warranted. Standardized administrative processes enable more efficiency and greater control to ensure that risks and opportunities are identified and that oversight processes can be applied in a consistent and transparent manner. These processes are especially important for SDAs that have multiple recipients, even if grants and contributions are not a main business line, as turnover of key individuals can make program administration difficult when processes are not well understood or documented. Some SDAs have taken the initiative to collaborate with other departments and

agencies that deliver grants and contributions to share good practices when developing their administrative processes.

Most SDAs have not identified common processes and controls to support standardized administration of their grant and contribution programs. Some tools, such as printed checklists, have been developed to assist in recording information in recipient paper files, but because such tools are not required, they are inconsistently used. Although the roles and responsibilities for program officers are generally well defined, the roles and responsibilities for senior management are not as clear. Checklists and other tools to ensure consistent and complete documentation would help ensure that the decision making process is open, fair, and transparent and can be repeated in the event of employee turnover.

Formal monitoring and reporting processes have not been established.

Most SDAs have not yet developed monitoring and reporting processes for the achievement of objectives in their grant and contribution programs. Although most SDAs have developed program performance indicators, there was no evidence of formal reporting to management on actual performance against these indicators. Program monitoring and reporting on program performance is not well understood. SDAs cannot be sure that grant and contribution programs are meeting their objectives because they do not monitor and report on performance using their established performance indicators.

Recommendations
1. SDAs delivering grant and contribution programs to a single recipient should ensure that the recipient is identified in the terms and conditions of the program.
2. SDAs should develop guidance for recipient review committees to ensure independence in their recommendations for recipient funding.
3. SDAs should develop checklists and other tools to support standardized processes.
4. SDAs should periodically report to management on program performance, based on established performance indicators.

Finding 2: Program Administration

Although project assessments could be more transparent, recipient claims are managed with due diligence.

For SDAs with multiple recipients, we examined how programs were publicly promoted, and the extent to which the program information was published. We reviewed recipient files to ensure that assessments and approvals were documented. For all SDAs with grant and contribution programs, we verified whether they proactively disclosed all grants and contributions valued at $25,000 or greater. Finally, we reviewed recipient financial files to ensure that financial controls were applied effectively.

For grant and contribution programs with multiple recipients, departments and agencies publicly promote program descriptions, eligibility requirements, and assessment criteria to give potential recipients the information needed to apply to the program. Assessments and approvals are documented for consistency and quality review, as well as to add greater transparency to the process. To ensure greater transparency, all departments and agencies are required to proactively disclose on their websites all grants and contributions valued at $25,000 or greater. Financial controls are used to ensure that recipient claims are eligible and that authorizations for payments are performed by the delegated authority.

Most project assessment criteria are not publicly available.

While most SDAs with multiple recipients make descriptions of their programs publicly available on their website along with program eligibility requirements, the assessment criteria used to rate potential recipients were not consistently published. Strategies used were appropriate to ensure that most potential recipients are aware of the grant and contribution program; however, potential recipients do not have access to the standards against which their applications will be evaluated. Publishing assessment criteria would enable potential recipients to demonstrate in their application how they meet program requirements.

Some SDAs with multiple recipients do not assess potential recipients based on pre-established assessment criteria. For these applications, the methodology used to approve projects is unclear and does not provide for transparency in recipient funding decisions.

Project assessments and approvals were not well documented.

Project assessment and approval signatures were not consistently documented in program files by most SDAs with multiple recipients. The rationale and processes behind funding decisions could not always be clearly

determined from the information in recipient files. It is important that SDAs maximize the use of available funding by choosing recipients that best meet the objectives of the program. Some SDAs do not document any assessment of project applications, including formal project approval. While it can be impractical for management to sign off individual approvals, batch or group approvals are an acceptable alternative. The lack of documentation of decisions based on established criteria does not meet policy requirements of transparency in decision making that ensures that program objectives are considered in a fair and open manner when assessments are made.

SDAs are proactively disclosing their grants and contributions.

Most SDAs, whether they have multiple recipients or a single recipient, proactively disclose their grants and contributions on their public websites, in line with federal government requirements. This disclosure ensures transparency regarding which recipients are provided funding by federal departments and agencies and what government programs they are contributing to.

Recipient claims are managed effectively and with due diligence.

Most financial controls reviewed were working effectively as designed. Most recipient claims paid were accurate, supported by appropriate documentation, and paid in a timely manner. Commitments are recorded in the financial system once funding is awarded to recipients. Commitment totals are tracked against the overall program budget. In most SDAs, the financial files reviewed were well maintained, and financial approvals were documented on file.

Most SDAs manually administer their grant and contribution programs and often do not effectively use checklists to ensure that recipient files have all the required documentation. For those SDAs with multiple recipients of their grant and contribution programs, this limits the ability to ensure that standardized practices and controls are consistently followed. Some large departments and agencies have automated grant and contribution systems that support the standardization of the administration process. Given the size and scope of operations in SDAs, the cost of designing and implementing an electronic system is disproportionately large.

Recommendations
   5. SDAs should ensure that descriptions of the program assessment criteria are publicly available in order to provide greater clarity for those applying to a grant or contribution program to be able to demonstrate how they meet these criteria.
   6. SDAs should assess applications from potential recipients based on pre-established assessment criteria.
   7. SDAs should document their assessment of recipient applications and formal recipient approvals to provide greater transparency in the approval process.

Finding 3: Risk Assessment

> **SDAs are not applying risk assessment strategies to ensure that monitoring and reporting requirements are appropriate**

We examined strategies and processes used by SDAs to assess recipient risk to determine monitoring and reporting requirements. We examined what information SDAs were collecting to assess the risk profiles of the recipients and the strategies used to classify recipients as high, medium, and low risk. Finally, we examined the monitoring processes used to report on recipients' continued eligibility and performance.

Performing risk assessments of recipients of contributions provides a basis for determining the amount and frequency of monitoring activity and reporting requirements that may be necessary to ensure that recipients are meeting the terms and conditions of their funding; if these terms and conditions are not met, SDAs may withhold future payments until the requirements are satisfied. Using risk assessment information to inform recipient monitoring requirements helps focus limited resources on high-risk areas to achieve greater efficiency and ease monitoring and reporting burdens for lower-risk recipients. Recipient monitoring and reporting are essential to ensure that recipients are continuing to meet eligibility requirements and fulfill the program objectives.

SDAs with multiple recipients of contributions are expected to determine risk categories (i.e., high- or low-risk), and place each recipient in one of the categories. SDAs with a single contribution recipient are not expected to define risk levels, as the monitoring and reporting process is tailored to one contribution agreement.

Recipient risk assessment strategies have not been developed.

Most SDAs with contribution programs do not have strategies to assess recipient risk to help determine appropriate levels of monitoring and reporting requirements of a recipient. Most SDAs do not collect information

in recipient applications that would enable them to assess recipient risk. Finally, most SDAs have not developed criteria or thresholds to guide program officers in assessing recipient risk.

Recipient monitoring and reporting is not based on recipient risk.

Most SDAs with multiple recipients of contributions treat all recipients as high-risk and therefore do not vary monitoring and reporting requirements. Low- and medium-risk recipients face high administrative and reporting burdens. SDAs could achieve greater efficiencies in recipient monitoring by applying risk-based requirements to monitoring. SDAs could also reduce the reporting burden on recipients by ensuring that all requested reports provide sufficient information to program officers to ensure value in program delivery. Assessing recipient risk to enable flexibility in monitoring and reporting requirements can contribute to streamlining and greater efficiency of administrative practices.

SDAs with a single recipient are sufficiently monitoring their recipients and are informed of progress in advance of making payments.

Recommendations
   8. SDAs should develop and implement recipient risk assessment strategies to enable more efficient use of resources in monitoring and reporting on recipients. SDAs should collaborate with other departments and agencies to share tools and guidance for risk assessment.

Finding 4: Reform

> **SDAs have taken initial steps to meet the reform requirements of the *Policy on Transfer Payments* (2008), but further strategies are needed.**

We examined the progress that SDAs have made in meeting the requirements of the *Policy on Transfer Payments* (2008)*.* Notably, we reviewed any efforts made to collaborate across departments and agencies, to implement recipient service standards, and to engage recipients in making improvements to grant and contribution programs. At the time of the audit, none of the terms and conditions of the SDA programs examined had yet been continued under the 2008 policy, so that any effort in meeting these requirements would be proactive in nature.

Collaboration across organizations helps SDAs to share good practices and identify common recipients, with the goal of reducing the reporting burden and adopting a more citizen-focused approach to the administration of grants and contributions. Service standards, once established, can be used as measurable performance indicators to improve efficiency and program delivery. The engagement of stakeholders helps ensure the continued relevance of grant and contribution programs and facilitates improvements in efficiency and effectiveness.

Most SDAs do not collaborate with other departments and agencies.

Most SDAs are not working with other departments and agencies to share best practices and identify common recipients. Many SDAs reference the unique nature of their programs relative to the programs of other organizations. We did find some progress in individual SDAs, such as working with TBS's Centre of Expertise on Grants and Contributions toward transfer payment reform objectives and adopting tools and best practice processes developed by other organizations. Duplication of effort was commonly observed across SDAs in reaching target recipients and delivering programs. We expect that as program terms and conditions are continued under the *Policy on Transfer Payments* (2008), TBS's Centre of Expertise will engage SDAs in this process.

SDAs are beginning to implement internal service standards.

Most SDAs expressed plans to implement service standards within the next year, but no formal implementation strategies are currently in place. SDAs are preparing to meet the new requirements of the *Policy on Transfer Payments* by implementing service standards when their program terms and conditions are continued. In the interim, some SDAs have identified internal processing times for application assessment and the processing of recipient claims; however, these standards are not being actively monitored. For SDAs with single recipients, collaboration with their recipient needs to be done to ensure that the needs of both parties are being met.

SDAs are engaging recipients for feedback to make program improvements.

Most SDAs seek feedback from recipients on grant and contribution programs to make improvements to program delivery. Much of this feedback is received informally, but one SDA formally solicited feedback through

a voluntary recipient survey. Some SDAs have ongoing relationships with program recipients, making informal feedback part of a regular dialogue.

Management Action Plans

The findings and recommendations of this audit were presented to the six SDAs included in the scope of the audit. The Internal Audit Sector of the Office of the Comptroller General (OCG) has asked each SDA that participated in the audit to prepare a detailed Management Action Plan.

The OCG will perform follow-up activities on SDAs' Management Action Plans, and the Small Departments and Agencies Audit Committee will periodically receive reports from the OCG on the actions taken where Management Action Plans are in place.

Appendix A: Small Departments and Agencies and Their Grant and Contribution Programs Included in the Audit

Small Department or Agency	Program	Grant or Contribution Program	Spending in 2009–10 ($ millions)
Canadian Environmental Assessment Agency	Participant Funding Program	Contribution	3.57
	Promotional Research and Development Program	Contribution	0.30
Canadian Northern Economic Development Agency	Aboriginal Business Development Program	Contribution	2.30
	Community Economic Development Program	Contribution	10.60
Canadian Polar Commission	Canadian Polar Commission Scholarship Program	Contribution	0.01
Federal Economic Development Agency for Southern Ontario	Building Canada Fund	Contribution	n/a[a]
	Southern Ontario Development Program	Contribution	130.00
Financial Transactions and Reports Analysis Centre of Canada	International Financial Intelligence Program	Contribution	0.80
Status of Women Canada	Women's Programs	Grant	14.75
	Women's Partnership and Community Funds	Contribution	4.20

a. The Federal Economic Development Agency of Southern Ontario (FedDev Ontario) administers this program on behalf of Infrastructure Canada; no funds are appropriated to FedDev Ontario. A total of $335.6 million has been committed by Infrastructure Canada, plus $205.6 million as part of the Economic Action Plan.

Appendix B: Links to Applicable Legislation, Frameworks, Policies, Directives and Guidance

Legislation, Frameworks, Policies, Directives and Guidance
- *Federal Accountability Act*
- *Financial Administration Act*
- *Framework for Identifying Risk in Grant and Contribution Programs* (Office of the Auditor General of Canada, in collaboration with Industry Canada)
- *Policy on Transfer Payments*
- *Directive on Transfer Payments*
- *From Red Tape to Clear Results*
- The Report of the Independent Blue Ribbon Panel on Grant and Contribution Programs
- *The Government of Canada Action Plan to Reform the Administration of Grant and Contribution Programs* (Treasury Board of Canada Secretariat)

Appendix C: Objectives and Related Criteria

The objective of this audit was to provide assurance that the governance, risk management and control processes over grant and contribution programs are being executed in compliance with the Treasury Board *Policy on Transfer Payments* (2008).

Sub-Objectives	Criteria
Departments and agencies have in place effective and efficient governance and control processes for the delivery of grant and contribution programs.	▪ Roles, responsibilities, and accountabilities are clearly defined and communicated. ▪ Departments have standardized their control framework processes.
Programs are administered with due diligence and transparency in accordance with the approved terms and conditions.	▪ Program promotion and recipient application is conducted in a manner that is fair and accessible. ▪ There are transparent control processes to ensure the consistent assessment and approval of recipients to meet the objectives of the program. ▪ Grants and contributions awarded over $25,000 to a single recipient are reported under proactive disclosure on the department's or agency's website. ▪ Recipient payments are made in compliance with the requirements of the *Financial Administration Act* and the *Directive on Transfer Payments*.
Departments and agencies exercise risk-based control, monitoring and oversight activities over grant and contribution programs.	▪ Monitoring of individual recipients is performed proportionately to their risk level and in accordance with the terms and conditions of the program. ▪ There are monitoring and reporting processes in place to support program review and the departmental performance measurement strategy.
Departments and agencies are making initial progress in meeting the requirements of grants and contributions reform.	▪ Collaboration exists within and across departments and agencies to harmonize grant and contribution programs. ▪ Departments and agencies have a strategy to implement service standards. ▪ Recipients are engaged in support of transparency, innovation and continuous improvement.

Appendix D: Recommendations by Department and Agency

Legend

Abbreviation	Small Department or Agency
CEAA	Canadian Environmental Assessment Agency
CanNor	Canadian Northern Economic Development Agency
CPC	Canadian Polar Commission
FedDev Ontario	Federal Economic Development of Southern Ontario
FINTRAC	Financial Transactions and Reports Analysis Centre of Canada
SWC	Status of Women Canada

Recommendations	SDAs with Multiple Recipients				SDAs with a Single Recipient	
	CEAA	**CanNor**	**FedDev Ontario**	**SWC**	**CPC**	**FINTRAC**
1. SDAs delivering grant and contribution programs to a single recipient should ensure that the	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Applicable	Not Applicable

Recommendation						
recipient is identified in the terms and conditions of the program.						
2. SDAs should develop guidance for recipient review committees to ensure independence in their recommendations for recipient funding.[b]	Applicable	Not Applicable	Not Applicable	Applicable	Not Applicable	Not Applicable
3. SDAs should develop checklists and other tools to support standardized processes.	Applicable	Applicable	Not Applicable	Applicable	Not Applicable	Not Applicable
4. SDAs should periodically report to management on program performance, based on established performance indicators.	Applicable	Applicable	Applicable	Applicable	Not Applicable	Not Applicable
5. SDAs should ensure that descriptions of the program assessment criteria are publicly available in order to provide greater clarity for those applying for a grant or contribution program to be able to demonstrate how they meet these criteria.	Applicable	Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
6. SDAs should assess applications from potential recipients based on pre-established assessment criteria.	Applicable	Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
7. SDAs should document their assessment of recipient applications and formal recipient approvals to provide greater transparency in the approval process.	Applicable	Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
8. SDAs should develop and implement recipient risk assessment strategies to enable more efficient use of resources in monitoring and reporting on recipients. SDAs should collaborate with other departments and agencies to share tools and guidance for risk assessment.	Not Applicable	Applicable	Applicable	Applicable	Not Applicable	Not Applicable

[b.] Recommendation 2 only applies to those organizations that have established recipient review committees.

Appendix E: Risk Ranking of Recommendations

The following table presents the recommendations and assigns risk rankings of high, medium or low. The risk rankings were determined based on the relative priorities of the recommendations and the extent to which the recommendations indicate non-compliance with Treasury Board policies.

Legend

SDAs small departments and agencies

Recommendations	Priority
1. SDAs delivering grant and contribution programs to a single recipient should ensure that the recipient is identified in the terms and conditions of the program.	Medium
2. SDAs should develop guidance for recipient review committees to ensure independence in their recommendations for recipient funding.	High
3. SDAs should develop checklists and other tools to support standardized processes.	High
4. SDAs should periodically report to management on program performance based on established performance indicators.	Medium
5. SDAs should ensure that descriptions of the program assessment criteria are publicly available in order to provide greater clarity for those applying for a grant or contribution	Medium

program to be able to demonstrate how they meet these criteria.	
6. SDAs should assess applications from potential recipients based on pre-established assessment criteria.	High
7. SDAs should document their assessment of recipient applications and formal recipient approvals to provide greater transparency in the approval process.	High
8. SDAs should develop and implement recipient risk assessment strategies to enable more efficient use of resources in monitoring and reporting on recipients. SDAs should collaborate with other departments and agencies to share tools and guidance for risk assessment.	High

[1]. *Public Accounts of Canada* 2009. This figure represents a normalized year, excluding funding from the Economic Action Plan.

[2]. The Treasury Board *Policy on Transfer Payments*

[3] The Office of the Comptroller General has not undergone an external assessment at least once in the past five years of its internal audit activity to confirm its conformance with these standards.

[4]. The Treasury Board *Policy on Transfer Payments*