



Audit of the Determination of Recoverable Amounts for Grants and Contributions

Management Response and Action Plan

**Presented to PHAC Departmental Audit Committee on July 5,
2019**



Recommendations	Management Response and Planned Management Action	Deliverables	Expected Completion Date	Responsibility
<p>Recommendation 1</p> <p>The Chief Financial Officer should develop guidance to ensure that the interrelated responsibilities and accountabilities are clear and well-understood by all employees involved in the recipient audit process.</p>	<p>Management agrees with this recommendation.</p> <p>The CGC has engaged the services of a consulting firm to provide guidance on the review and provide recommendations on the optimization of PHAC’s approach to managing G&Cs. This includes:</p> <ul style="list-style-type: none"> i) Focusing on continuous improvement of the risk-based G&Cs management framework ii) Streamlining processes for greater efficiency iii) Clarifying roles and responsibilities in the administration of G&Cs. <p>In addition, the OCFO will collaborate with the Director General of Regional Operations and program Vice Presidents to develop supplementary material for recipients and program officers (recipient audit/compliance review guide) to clarify roles and responsibilities all parties involved in the recipient audit process.</p>	<p>A report that includes:</p> <ul style="list-style-type: none"> i) Current state process maps (funding approvals, risk assessment, contribution agreement creation) ii) Summary of key themes, specific issues, and opportunities for improvement iii) Corporate risk assessment of the current management approach and risk management strategies iv) Future state recommendations which will incorporate specifically: <ul style="list-style-type: none"> • Risk-based framework for the administration of G&Cs; • Validating the current RACI chart; • “To-be” processes for overall improvement and efficiency. <p>Recipient Audit/Compliance Review guide</p>	<p>Completed</p> <p>December 2019</p>	<p>OCFO - CGC</p>

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<p>Recommendation 2</p> <p>The Chief Financial Officer should revise the process for communicating the audit findings to recipients to ensure the communication is clear and consistent.</p>	<p>Management agrees with this recommendation.</p>			
	<p>OCFO will be providing recipients and internal stakeholders with an audit/compliance review guide that will provide an overview of the audit process, so that parties are aware of the engagement steps prior to the start of the audit. The document will also outline roles and responsibilities of PHAC's stakeholders (programs, regions, recipients, and the CGC). In addition, OCFO will support the programs in the development of communication material that clearly articulates the audit findings and a recommended way forward that is clear and consistent.</p>	<p>Recipient Audit/Compliance Review guide</p>	<p>December 31, 2019</p>	<p>OCFO –CGC</p>
<p>Recommendation 3</p> <p>The Chief Financial Officer should review the Risk-Based Monitoring Strategy to ensure that appropriate financial assessments are performed at a level that is commensurate with the risk to the Agency.</p>	<p>Management agrees with the recommendation.</p>			
	<p>The CGC is currently reviewing the Risk-Based Monitoring Strategy. Proposed changes include streamlining reporting requirements by implementing a more detailed financial review on a sample selection basis. Selection will be driven by risk ratings in addition to judgemental selection. This more thorough review will aim to address the perceived level of risk, as per the risk assessment.</p>	<p>Updated Risk-Based Monitoring Strategy for Senior Management's consideration.</p>	<p>September 30, 2019</p>	<p>OCFO-CGC</p>

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<p>Recommendation 4</p> <p>The Chief Financial Officer, in collaboration with the Vice Presidents of HPCDP and IDPC, should finalize and distribute the recipient guide to ensure clear communication of eligible and ineligible expenditures.</p>	<p>Management agrees with this recommendation.</p>			
	<p>The Recipient Guide is currently under review with program managers. In addition to providing clarity on eligible and ineligible expenditures, the guide will provide recipients with the following:</p> <ul style="list-style-type: none"> - information about roles, responsibilities and obligations; - the process for developing and finalising the contribution agreement; - details on the process of implementing and managing the agreement, including establishing internal controls; and - instructions on how to complete required forms. <p>Once launched, the document will continue to be updated and new versions will be issued as deemed appropriate by the CGC.</p>	<p>Recipient Guide ready for distribution</p>	<p>Completed</p>	<p>OCFO-CGC</p>

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<p>Recommendation 5</p> <p>The Vice Presidents of HPCDP and IDPC, with the support of the Chief Financial Officer, should ensure that appropriate documentation and approval exists for any discrepancies between recipient audit findings and the amount identified for recovery. This will ensure that decisions do not contravene governing authorities.</p>	<p>Management agrees with the recommendation.</p>			
	<p>The OCFO has implemented changes to the approval process to clarify audit findings. These changes include the introduction of the Audit Finding Decisions Table, which quantifies the audit findings, a recoverable amount recommended by the CGC, and the program's recommended recovery.</p> <p>All discrepancies between the CGC's and the program's recommended amount require the approval of the program VP and the CFO. This combined approval process will support the CFO's responsibility regarding the overall stewardship of resources, while program policy considerations will be the focus of the program VP.</p>	<p>Updated Standard Operating Procedures (SOPs) to document process for determining final recoverable amount and use of the new Audit Finding Decisions Table</p>	<p>Completed</p>	<p>VP of HPCDP and IDPC</p> <p>OCFO - CGC</p>