



Audit at a Glance

Audit of the management of grants and contributions at ECCC

Transfer payments made through G&C programs are a major commitment of federal government resources. As such, they must be managed carefully. The effective management of G&C programs contributes to sound financial stewardship, the delivery of programs, compliance with the Treasury Board [Policy on Transfer Payments](#) and the ability to deliver on Government of Canada priorities.

What the audit examined

The objective of the audit was to provide assurance on the adequacy and effectiveness of G&C processes and activities, including governance, reporting and risk management, in accordance with the Treasury Board (TB) [Policy on Transfer Payments](#). The audit reviewed evidence to determine whether:

- ECCC has designed and implemented governance structures and processes for G&C programs
- adequate and effective controls are in place to support compliance with the key requirements of the TB [Policy on Transfer Payments](#)

The audit focused on processes and activities that were in place at the departmental level to support ECCC's G&C programs during fiscal year (FY) 2017 to 2018, particularly roles and responsibilities, reporting and risk management. The audit approach included a review of relevant documentation, interviews with key personnel and the testing and analysis of a judgmental sample of G&C projects for compliance with policy requirements.

What the audit found

Governance, guidance and tools

An effective departmental governance structure is in place to support the management of G&Cs at ECCC. Relevant committees are documented. Senior executives accountable for G&Cs programs understand their roles and responsibilities. An ADM-level committee provides a forum for strategic discussions on resource allocation and results. The G&C Centre of Expertise and financial management advisors provide support to program managers. However, their roles and responsibilities are not consistently understood. Guidance and tools are readily available. Some key documents should be updated to reflect changes in the departmental management of G&Cs. There is no clear leadership for the sharing of best practices across the Department.

Reporting framework

The audit confirmed that the Department has a reporting framework in place and has taken important steps by engaging senior management in the articulation of planned results and by developing reporting tools to support program managers accordingly. Quarterly financial reports and ad hoc non-financial reports on G&Cs are provided to senior management for monitoring and decision making. Reporting of G&C results by core responsibility is a work in progress and will be fully reflected in the Departmental Results Report 2018 to 2019, which will be released in the fall of 2019. Tools are in place to support program managers.

Risk management

There is a departmental risk management framework in place for G&C programs, with readily accessible supporting risk assessment guidance and tools. Program managers perform risk assessments to determine project risks and reporting and monitoring requirements. The risk management framework has not been updated since 2010. It should be revised to include new risk factors in the control environment. There is no departmental plan in place for conducting recipient audits to ensure compliance with funding agreements.

Recommendation and management response

Three recommendations have been developed to address the areas of concern. Management has provided an appropriate response and an action plan.

Recommendation 1 – Guidance

It is recommended that the Assistant Deputy Minister, Corporate Services and Finance Branch (CSFB):

- a) clarify, document and communicate the roles and responsibilities of the G&C Centre of Expertise and financial management advisors in the management of G&Cs and the sharing of best practices across the department**
- b) update the Guide to Grants and Contributions at ECCC and supporting tools to reflect relevant changes in the departmental management of G&Cs**

Management response

- a) The ADM, CSFB, accepts the recommendation. CSFB will document the roles and responsibilities of the G&C Centre of Expertise and the financial management advisors in the management of G&Cs.
- b) The ADM, CSFB, accepts the recommendation. CSFB will update the Guide to Grants and Contributions at ECCC to reflect recent changes in the G&C management process in the Department.

Recommendation 2 – Risk management

It is recommended that the Assistant Deputy Minister, Corporate Services and Finance Branch:

- a) in consultation with Program ADMs and Core Responsibility Leads, update the Risk Management Framework and implement a periodic review of the framework to ensure that it considers the evolution of the management of G&C programs and includes new relevant risk factors in the control environment**
- b) in collaboration with Director General, Audit and Evaluation Branch (AEB), develop a Recipient Audit Framework as an annex to the Risk Management Framework, to support Program ADMs in developing their risk-based recipient audit plans**

Management response

- a) The ADM, CSFB, accepts the recommendation. CSFB will update the Risk Management Framework and implement a periodic review of the framework in consultation with Program ADMs and Core Responsibility Leads.
- b) ADM, CSFB and DG AEB accept the recommendation. The ADM, CSFB, in collaboration with the DG, AEB will develop a Recipient Audit Framework and associated tools to support Program ADMs and Core Responsibility Leads in developing their risk-based recipient audit plans.

Recommendation 3 – Risk management

It is recommended that Program ADMs and Core Responsibility Leads:

- a) with support from the Assistant Deputy Minister, Corporate Services and Finance Branch (CSFB), conduct risk assessments of their G&C programs, in accordance with the departmental Risk Management Framework**
- b) develop risk-based recipient audit plans that identify adequate monitoring measures for their G&C programs and carry out risk-based recipient audits where appropriate, to ensure compliance with funding agreement requirements**

Management response

- a) Program ADMs and Core Responsibility Leads and the ADM, CSFB, accept the recommendation. The ADM, CSFB, will support Program ADMs with tools and templates, to ensure that program-specific risks and mitigation strategies reflect the current control environment. Program ADMs and Core Responsibility Leads will identify, characterize and assess the risks associated with all G&C programs under their authority.
- b) Program ADMs and Core Responsibility Leads accept the recommendation. Program ADMs and Core Responsibility Leads will develop risk-based recipient audit plans for all G&C programs under their authority, to be implemented as part of the FY 2020 to 2021 G&C cycle. They will also undertake recipient audits as per the risk-based recipient audit plans.