



Audit of the administration of grants and contributions at ECCC

Progress made on the 2021 Grants and Contributions Management Committee review and other insights

Report II

June 2024



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Introduction

Context

As part of the conduct of the audit of the administration of grants and contributions we identified other areas that fell outside the audit scope, which offer additional insights into the G&C delivery structure that could be considered to support departmental grant and contribution (G&C) administration continuous improvement efforts.

Since 2016, Environment and Climate Change Canada (ECCC)'s mandate has expanded with an increased focus on providing funding through grants and contributions to support the achievement of results. This has been supported by an unprecedented growth in the funds provided to the department to address climate change and environmental priorities. From 2016-17 to 2022-23, the department's G&C budget increased by \$652M. As of March 31, 2023, the department funded over 1,700 active individual projects. The administration of grants and contributions funding is a key departmental priority. Given the growth in funding, this area has been identified as a risk in multiple corporate risk documents.

In the summer of 2020, officials launched a review of G&C administration to better understand how the department responded to the significant increase in funds and where improvements were still needed. The review was completed in November 2021, and led to recommendations to be implemented in three phases. The GCMC is the governance body that is monitoring implementation progress. The three phases are:

- 1: Survey the number of programs to establish the baseline
- 2: Review management models and good practices in other departments
- 3: Develop options and recommendations for management and administration

Focus of the report

This report has two purposes. The first is to report on the progress made in implementing the recommendations of the November 2021 G&C review. The second is to offer additional insights into other aspects of the G&C delivery structure that were outside the scope of the internal audit, which should be considered as part of a broader, strategic approach to inform the overall G&C delivery model.

What we learned

We found that some progress has been made in implementing the recommendations of the November 2021 review and that there is still work that must take place to achieve the intended outcomes. We found that work to implement the 17 recommendations remains relevant. They should be assessed, in line with the similar themes and findings highlighted during the audit and implemented as part of a broader departmental approach to strengthen the foundation of program administration across the department.

Beyond the governance, program administration, and internal control environment of G&C, we also noted there are larger, structural elements in the Department's approach to G&C administration that must evolve for program officials to fully embrace a recipient-focused delivery model, particularly with respect to relationships with Indigenous recipients. These relate to program authorities, terms and conditions, the program architecture, and the departmental results framework among others. These elements should be revisited to ensure alignment with the Department's mandate and priorities in the context of program delivery and G&C administration.

Assessing current departmental authorities could be an area to look at from a broader G&C perspective, to determine the best mix to support program delivery, and to realign departmental authorities as required. Another area that should be considered is the departmental results framework, to assess whether it still reflects the roles and responsibilities of the department in line with its mandate and priorities in the context of G&C programming and whether it supports program delivery, monitoring, and meaningful results reporting.

Resourcing strategies and the impacts of sunseting programs in the context of employee resourcing, their expertise, and corporate knowledge, are areas for consideration given their impact across all program areas.

Finally, given the department's focus on implementing the [United Nations Declaration on the Rights of Indigenous Peoples Act](#) and overall efforts to support truth and reconciliation, consideration should be given to reviewing and updating as required the program funding available to support meaningful engagement with Indigenous partners and communities.

Progress made on the November 2021 G&C review

Context

In the summer of 2020, officials launched a review of G&C administration to better understand how the department responded to the significant increase in funds and where improvements were still needed. The review was completed in November 2021, and led to 17 recommendations to be implemented in three phases. The GCMC is the governance body that is monitoring implementation progress. The three phases are:

- 1: Survey the number of programs to establish the baseline
- 2: Review management models and good practices in other departments
- 3: Develop options and recommendations for management and administration

We asked departmental officials about progress made in implementing the 17 recommendations.

Progress to date

The Centre of Expertise, CSFB reports that six (6) of the 17 action plan items have been completed, eight are in-progress, and three have not yet started. Our analysis found that while progress has been made, there is still work to be done to complete all actions.

Full implementation of the recommendations in that report remains relevant. Given the additional findings highlighted during the audit that touch upon several of these areas, these should be all assessed and implemented in the context of a broader, strategic approach to inform the overall G&C delivery model. Table 1 provides a high-level overview of our assessment of the progress made for each recommendation.

Table 1 – Progress in implementing the recommendations of the November 2021 G&C review report

Recommendation	Estimated timeline	Reported status	Assessment
Re-invigorate the Director General Grant and Contribution Committee	Winter 2021	Completed.	Completed. An opportunity for improvement was identified during the audit with respect to the membership of the committee. Details are presented in the main audit report.
Develop guidance materials to enable programs to maximize	Spring 2022	Completed. Documentation is available on the grant and contribution Ecollab site. The Centre of Expertise is working	In progress. The documents were developed at the end of 2021-22 and made available to programs. Shortly afterwards,

Recommendation	Estimated timeline	Reported status	Assessment
the use of Appendix K flexibilities		on an improved version and may issue new guidance soon.	the documents were retracted due to several questions that were raised. At present, there is no guidance available on the appropriate use of Appendix K. As a result, we were informed that there is a misunderstanding across the department on the consistent use of Appendix K and the benefits it could have for Indigenous partners and communities.
Adjust the A-Base budget allocation process to facilitate greater use of multi-year agreements	Spring 2022	Completed: Multi-year budgets were communicated via the 2022-23 Notional Budget Allocation and budget fully allocated.	In progress. Gaps remain in the use of multi-year agreements, particularly in the areas of regulatory development and consultation. Current changes to the regulatory development process have led to a need for programs to carry out more engagement and consultations, particularly with Indigenous partners and communities. Absent other appropriate, stable funding mechanisms, officials are using grant and contribution resources for these purposes. This places significant demands on the financial reserves and engagement partners.
Establish a grants and contributions Community of Practice as a forum for discussion of issues of common concern and sharing of best practices.	Fall 2022	Completed: A community of practice was established and meets monthly.	Completed. The Community of Practice meets monthly and serves as a forum for discussion of issues of common concern and sharing of best practices.
Update to the Risk Management Framework and development of the	Fall 2022	Completed. Approved at the Assistant Deputy Minister, Operations Committee. The Centre of Expertise Recipient	In progress. Both frameworks have been developed and are at different stages of implementation. Recipient Audit

Recommendation	Estimated timeline	Reported status	Assessment
Recipient Audit Framework.		Audit and Quality Assurance team is working on the procurement process and expects to start project audits in September 2023.	Framework. While developed, no recipient audits have been completed. A key risk remains related to the lack of inclusion of considerations regarding how errors would be addressed, and how fraud red flags would be investigated. Risk Assessment Framework. It is not based on risk tolerance levels and program sizes. Moreover, it does not address specific risks related to subjects such as authorities for grants or assessed contributions.
Pilot use of a single consolidated agreement with an Indigenous recipient who would otherwise negotiate and sign multiple unique agreements. Based on that experience, roll out to other Indigenous and non-Indigenous recipients in future years.	Winter 2023	In progress. This work is being led by a GCMC member. The project is underway in collaboration with the Centre of Expertise and the Indigenous and Intergovernmental Affairs Directorate (IIAD-SPB).	In progress.
Establish a Director General level Investment Oversight Committee (IOC) to provide a challenge function on higher risk proposals before they are approved.	Spring 2023	Completed. Information on the committee is available on the grants and contributions Ecollab site. This was completed in June 2023.	Completed. An opportunity for improvement was identified during the audit with respect to the effectiveness of the committee. Details are presented in the main audit report.
Ensuring periodic reviews of directed contributions to assess continued appropriateness and relevance.	Fall 2023	In progress. This is being led by a GCMC member. A working group has been gathering and assessing data. The results were to be presented in the summer 2023.	In progress.

Recommendation	Estimated timeline	Reported status	Assessment
<p>Establish mechanisms to ensure transparency with respect to recipients receiving funds for different projects in the same Branch or across Branches.</p>	<p>Winter 2023</p>	<p>In progress. This is being led by a GCMC member with support from the Centre of Expertise. Currently, assessing potential mechanisms including changes to processes.</p>	<p>In progress.</p>
<p>Develop recommendations on performance measures and indicators to demonstrate achievement of intended outcomes and results.</p>	<p>Winter 2023</p>	<p>In progress. Leadership is being provided by the Corporate Management Directorate (Planning) that is exploring potential performance measures and indicators to apply in funding programs.</p>	<p>In progress.</p>
<p>Examine opportunities on delivery approaches to address capacity issues, where identified, for example identify pockets where surge teams could be leveraged to support the delivery of G&C programming during high-volume periods (e.g., application and assessment periods).</p>	<p>Spring 2024</p>	<p>In progress. This is being led by a GCMC member. Data has been collected from four participating branches (SPB; CCB; CSFB; and CWS). It was noted that no surge periods were identified, and workloads were reported as consistently high over the course of the year. Committee members concluded there is a need for more training on grant and contribution administration and better systems and tools, which may help address capacity issues.</p>	<p>In progress.</p>
<p>Undertake an examination of the groups and classification of positions that are presently used in the development and delivery of each of ECCC's G&C programs and develop options and recommendations</p>	<p>To be determined.</p>	<p>Not started.</p>	<p>Not started.</p>

Recommendation	Estimated timeline	Reported status	Assessment
regarding standardization.			
Review the role of the CSFB Centre of Expertise to determine where new responsibilities and capacity could be added to increase the expertise and knowledge needed to support all G&C programs.	Spring 2024	In progress. Findings from a benchmarking exercise will be used as reference for internal consultations and implementation. It is expected that the work will be done by March 31, 2024.	In progress.
Implement standard processes, where required (application submission, evaluation, approval, etc) to be used by all programs	Spring 2024	In progress. The Centre of Expertise has started work on a standard application form that would be mandatory for most programs. Standardization for various aspects of the process is also being explored.	In progress.
In conjunction with Legal Services, articulate the role of Legal Services in our G&C programs.	To be determined	Not started.	Not started.
Explore implementing the use of a Conflict-of-Interest attestation process for all staff involved in the review of G&Cs	Spring 2024	In progress. The Centre of Expertise has initiated a benchmarking exercise to use as reference to adopt best practices and establish a new Conflict of Interest attestation as part of the process.	In progress.
Establish a pathfinder service focused on assisting Indigenous partners to increase and enhance their engagement in our G&C programs	To be determined	Not started.	Not started.

Other insights

As observed during the audit, the increase in G&C funding since 2016 and moving from a small-scale to a large-scale G&C program delivery department has strained existing resources, infrastructure, and operational processes.

The current landscape reveals a decentralized approach to program delivery across branches and programs, decentralized information technology and information systems to administer G&C funding, different training methods, and financial management approaches that do not fully support diverse recipient needs and the complexity of new funding. There is an interconnectedness of these G&C administration elements and improvements in one area affect the whole program delivery ecosystem.

In addition to changes that have been occurring in departmental governance, program delivery, and internal control processes, we observed opportunities for further changes to support the provision of better services to recipients and Indigenous partners and communities. These are presented as insights for senior management's consideration in the context of a broader strategic approach to the G&C delivery model. They relate to program authorities, terms and conditions, resource management, program renewal processes, and resource capacity – for program officials, recipients, and Indigenous partners and communities.

Authorities and Terms and Conditions

There are five different types of G&C funding used by departments: contributions, assessed contributions, grants, up-front multi-year funding, and repayable contributions. Departments are not automatically granted the authority to issue each of these types of G&Cs. Authority is granted with the approval of "Terms and Conditions". The Terms and Conditions, in the context of transfer payments, refers to a document, approved by Treasury Board or a Minister, that sets out the parameters under which transfer payments may be made for a given program. Approved Terms and Conditions are normally a precondition for making a transfer payment and specify which one of the five G&C types the department will be issuing, along with the objectives, eligibility requirements, and conditions that will apply to the funding.

Since 2017, as program funding has increased, the department has developed more than 23 separate sets of Terms and Conditions that govern agreement structures. The types of Terms and Conditions vary, but all provide one or more of these three types of funding authorities: grants, contributions and assessed contributions. The types of Terms and Conditions include:

- Four umbrella Terms and Conditions provide grant or contribution funding authorities. These are generic authorities that cover a broad range of project activities aligned to the four departmental Core Responsibilities (i.e., Conserving Nature contribution programming). Rather than having to approve new T&Cs for each new project, program, or initiative, ECCC has the option of using the umbrella T&Cs. Several programs provide contribution funding under these Terms and Conditions, for example EcoAction, Ecosystem Initiatives and Circular Plastics Economy.
- Several individual Terms and Conditions provide contribution funding authorities (such as the Canada Nature Fund) or both grant and contribution funding authorities (Low Carbon Economy Fund).

- Several individual Terms and Conditions provide assessed contribution funding authorities. These contributions are provided to fund Canada's share of the operating cost of international organizations as mandated by an Act of Parliament, Cabinet decision, Order in Council, or International Treaty. For example, the contribution provided to the World Meteorological Organization.
- Several individual Terms and Conditions that provide grant authorities (i.e., Innovative Solutions Canada).

There are areas for consideration that could enhance the ability of officials to fund projects using other types of authorities. For example, the department does not have any authorities for repayable contributions, and the authorities for grants are generally limited to a maximum of \$50,000.

We were informed that these limitations have constrained officials in using different approaches to support the achievement of the department's mandate and priorities. One example was how this relates to supporting consultations with Indigenous partners and communities. Specifically, the low dollar value of grant authorities (\$50,000) is not viewed as sufficient to support the necessary level of engagement with Indigenous partners as part of policy, program, or regulatory development. As a result, branch officials mentioned having to use other funding – including from contribution programs - to enable Indigenous participation in engagement activities. Interviewees highlighted that the use of funding other than grants leads to an increase in reporting burden – for both Indigenous partners and departmental officials – that impacts relationship building and partner capacity.

In addition, based on our assessment, and what we heard from interviewees, there is a risk that the department may have too many sets of Terms and Conditions to manage. We observe that many established Terms and Conditions share similarities in the core elements of eligibility and financial controls. Each time an amendment needs to be made, such as the recent changes to the four umbrella authorities to include honoraria as an eligible expenditure category, there is a process that must be followed for each of the 23 Terms and Conditions.

The process to request and receive Treasury Board approval of proposed amendments is complex, time-consuming, and demands resources from key stakeholders including program branches and the CSFB Centre of Expertise.

Assessing current departmental authorities could be an area to look at from a broader G&C perspective, to determine the best mix to support program delivery, and to realign departmental authorities as required.

Given the department's focus on implementing the United Nations Declaration on the Rights of Indigenous Peoples Act and overall efforts to support truth and reconciliation, consideration should be given to reviewing and updating as required the program funding available to support meaningful engagement with Indigenous partners and communities.

Program architecture design

The Treasury Board [Policy on Results](#) came into effect July 2016 and required the development of a Departmental Results Framework. The department finalized its results framework in November 2017 and identified four core responsibilities as per our mandate.

- Taking Action on Clean Growth and Climate Change
- Preventing and Managing Pollution
- Conserving Nature
- Predicting Weather and Environmental Conditions

The items listed under each core responsibility, performance indicators, and the programs that support each core responsibility, were originally based on ministerial mandate commitments, the Speech from the Throne, and Budget 2016. Beginning in the Fall of 2021, the Department conducted a strategic review of the results framework, the first substantive exercise since its introduction in 2018. The purpose of the strategic review, led by the Corporate Services and Finance Branch, was to ensure the results framework remained consistent with the Department's evolving mandate, and that it continued to serve as a relevant and useful basis for planning and resource allocation. The strategic review included consultations across a series of working groups, but specific consideration of G&C was limited. The strategic review led to minor amendments to descriptions of the core responsibilities and some of the results indicators, which were implemented in Q1 of FY 2022-23. There were no substantive changes made to the design of the Department's program inventory, which has in fact changed dramatically since the creation of the Departmental Results Framework, with the introduction of dozens of new funding programs.

There is a risk that the current program inventory, which forms the basis for achieving the Department's core responsibilities, does not align with the way programs are in fact organized and operate within the Department. Reviewing the current departmental results framework could be an area to look at from a broader G&C delivery perspective, to ensure that it still reflects the roles and responsibilities of the department in line with its mandate and priorities and that it supports effective program delivery, monitoring, and meaningful results reporting.

Program outcomes and reporting

Based on interviews with several departmental officials – from the project officer to the Assistant Deputy Minister level – a few concerns were raised related to the departmental results framework structure alignment with program administration and delivery. These are described below.

Performance Information Profiles. The Treasury Board [Policy on Results](#) calls for the development of Performance Information Profiles as part of the department's results framework. Profiles should be designed to organize and coordinate the collection and use of performance information and include a program description, logic model, performance indicators, results metrics, and planned evaluations. As a result, the profiles are an important part of how programs are designed and delivered.

G&C funding supports departments in achieving their mandate, objectives, and priorities. The audit team noted program funding is not included as an output in the department's Performance Information

Profiles for all sixteen programs. With the growth in mandate and program funding, the existing profiles may not sufficiently consider program funding as part of the overall results chain. Specifically, there are five profiles that do not capture program funding as part of outputs even though this type of funding supports the achievement of expected results. This situation may create a deficiency in reporting on activities that support the achievement of departmental outputs and outcomes.

Core responsibility results indicators. There are a limited number of results indicators associated with each of the four core responsibilities. As identified in the November 2021 G&C review, these indicators are often not suitable to report on project results. One interviewee referred to a community garden project that was funded by the department and reported on in terms of reduction in greenhouse gas emissions due to its alignment in the departmental results framework. We were also informed of potential gaps where program funding is used to support the regulatory development process by providing resources to partners and stakeholders through these mechanisms. As such, there is a need for the department to reflect on the types of indicators being used to measure and report on progress of the use of program funding.

Common understanding on the use of program inventory across the department. Based on the interviews conducted and documents reviewed there is an inconsistent understanding of the use of program inventory across the department as it relates to the number of programs and initiatives, which may be impacting results reporting.

Our document review noted that departmental officials often refer to 68 programs and not the official 16 programs during presentations and when discussing program funding. The number 68 refers to individual grants and contribution initiatives undertaken under the 16 programs. There was a demonstrated lack of common understanding of the differences between a program and an initiative, and the expected outcomes and results associated with each. We were informed that Corporate Management Directorate officials are working on addressing this situation as part of a review of the department's program inventory. This process will be complex and may take time to finish, and it is important that the work be completed to ensure that the department has an agreed-on program inventory to support assessing and reporting on progress in a meaningful, transparent manner.

Reporting on results across multiple performance information profiles. Program funding may be provided to recipients whose work links to other departmental program goals. However, based on the current structure, the results achieved may only be linked with one set of indicators. This situation may not support the accurate reporting of results achieved across multiple metrics. Interviewees noted that given the diverse nature of program funding agreements, the current reporting mechanisms may create an inefficient approach to reporting on agreement results.

The department has several agreements in place to deliver results that link with other initiatives, and we were informed that because agreements are associated to a program level indicator, the results as they relate to other indicators may not be reported on. We observed, through our document review and interviews, that agreement results are, in some cases, rolled up into branch level results trackers. However, this does not replace the need to link results and benefits to other program performance indicators. Therefore, the department may not be accurately reporting on program results.

The fundamental challenge of much of this work is that biological timeframes are too large to measure in the context of funding programs that might only exist for a few years at a time, which may be affected by the lack of continuity inherent to temporary funding.

Impact assessment measurement. Impact assessments identify both positive and negative environmental, economic, social, and health impacts of work that has been or may be undertaken. These assessments are essential to understanding the combined impact of regulations, program spending, and other activities the department undertakes, as it affects a specific area, habitat, or species.

The capacity of the department to undertake these assessments in-house has been affected by the steady, and significant, increases in program funding, as it led to the re-allocation of resources from program, policy, scientific, and regulatory work to administering G&C programs. Consequently, many departmental experts, including scientists, biologists, and specialized personnel are required—whether full-time or part-time—to manage programs alongside their primary responsibilities. The impact assessment work has been increasingly outsourced.

Sunsetting programs

Since 2016, the federal government has put in place a series of important programs and initiatives to support Canada's efforts to mitigate the effects of climate change and protect the environment. As a result, the departmental mandate has grown significantly working in a very complex environment that includes other federal government departments and agencies, provincial, territorial, and municipal governments, as well as non-governmental organizations and Indigenous partners and communities.

This shift has brought challenges and opportunities as it relates to the capacity to continue delivering traditional regulatory, policy, scientific, and enforcement activities while becoming one of the largest program delivery departments. As program funding has increased, it has shifted the way in which the department seeks to achieve its mandate and priorities.

Many of the programs that have been put in place have a defined period to achieve their objectives. When programs have a defined end date, it is considered a sunset program. The audit team met with representatives of several programs scheduled to sunset over the next year or two.

Long-term relationships with stakeholders and partners to achieve results

We were informed that more than \$500M in program funding will sunset between 2022-23 to 2025-26. As program funding ends, the department faces uncertainty regarding strategic decisions that must be made related to the proposed renewal of existing programs and the creation and implementation of new programs. An important consideration in seeking program renewal decisions is the relationships that are developed with recipients, partners, and stakeholders in support of delivering on the department's mandate and priorities.

During interviews, managers of sunset programs identified that this potential reduction in funding level could also have an impact on resources tied to specific sunset initiatives. As a result, the department faces a risk if these programs are not renewed, in terms of the potential reduced resource

capacity to deliver on its mandate and achieve results. With the potential departures on the horizon, consideration must be given towards strengthening information management, maintenance of corporate knowledge, and documentation of decisions and monitoring activities.

Resourcing strategies and the impacts of sunseting programs in the context of employee resourcing, their expertise, and corporate knowledge, should be considered from a broader G&C delivery perspective, given its impact across all program areas, and in consideration for the nature of G&C funding, which is mostly supported by temporary program funding (B-based).

Conclusion

This report presents insights that were gathered during the conduct of the internal audit of the administration of grants and contributions, as well as information on the progress made by the department in implementing the recommendations of the November 2021 G&C review. It brings together information on a diverse range of subjects related to program administration and delivery.

With the increase in G&C funding since 2016, officials identified a need to review processes and procedures in 2020, which culminated in a report that was approved in November 2021. The report included 17 recommendations.

We found that some progress has been made in implementing the recommendations of the November 2021 review and that there is still work that must take place to achieve the intended outcomes. We found that work to implement the 17 recommendations remains relevant. They should be assessed, in line with the similar themes and findings highlighted during the audit and implemented as part of a broader departmental approach to strengthen the foundation of program administration across the department.

In addition to the progress that is being made, the audit provided an opportunity for officials to reflect on the state of administration and identify other areas where improvements may be required. These relate to program authorities, terms and conditions, resource management, program renewal processes, and resource capacity –for program officials, applicants, and Indigenous partners and communities. These elements should be revisited to ensure alignment with the Department’s mandate and priorities in the context of program delivery and G&C administration.