Compliance Audit of the Terms and Conditions of the Income Assistance Program for COVID-19 Funding

Internal Audit Report
Prepared by: Audit and Assurance Services Branch

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ACRONYMS

A&E	Activity and Expenditure
CIRNAC	Crown-Indigenous Relations and Northern Affairs Canada
ESDPP	Education and Social Development Programs and Partnerships
GCIMS	Grants and Contribution Information Management System
HQ	Headquarters
IA	Income Assistance
ISC	Indigenous Services Canada
Q&A	Question and Answer
RO	Regional Operations

EXECUTIVE SUMMARY

Context

Indigenous Services Canada's (ISC) Income Assistance (IA) program provides eligible individuals and families living on reserve as well as those that are Status Indians[1] in Yukon with funds to cover their living expenses at comparable rates to provincial and territorial income support programs.

To help ensure that First Nations individuals and families who rely on IA were able to cover their essential living expenses during the COVID-19 pandemic, the Minister provided two rounds of COVID-19 benefit funding. The first round of the benefit totaled $124.4 million (including service delivery funding), with $300 per month per household distributed to all IA clients for the period of April 2020 to June 2020. The second round provided additional funding of $99.1 million, which was also distributed as $300 per month per IA client household for the period of January 2021 to March 2021.

There were no differences between the administration of the regular IA funding and the COVID-19 funding, and as such there were no changes to the Income Assistance program Terms and Conditions in the delivery of the COVID-19 funding; however, additional flexibility was provided in the scope of eligible expenses. These flexibilities were communicated to the funding recipients through question-and-answer guidance documentation. The existing Income Assistance funding recipients and clients were automatically eligible for the COVID-19 benefit.

Why it is important

This audit supports the Department in demonstrating its due diligence with respect to the Income Assistance program's COVID-19 funding as it accelerated the delivery of financial support to First Nations communities. The audit is also important because it ensures sufficient funding was made available for support during the COVID-19 pandemic.

What we examined

The audit objective was to provide assurance that the IA program has respected key existing terms and conditions and new guidance in the delivery of its COVID-19 funding.

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[1] Indian status is the legal status of a person who is registered as an Indian under the *Indian Act.*

What we found

Positive Observations

The impact of the pandemic on funding recipients and their capacity to respond to funding requirements while still responding to the needs of their clients should be considered when assessing compliance with the terms and conditions associated with the COVID funding.

The terms and conditions of the Income Assistance COVID-19 funding were complied with:

- All funding recipients were eligible for the COVID-19 funding that they received. This process was supported by signed funding agreement amendments.
- Regional offices monitored annual reporting requirements and then followed up with funding recipients when annual reporting was not received.
- When information was available to validate the eligibility of the expenses, regional offices assessed the expenses to be eligible.
- Annual financial information packages for all ISC funding that included a COVID-19 specific financial reconciliation schedule were reviewed by regional offices.

Mitigation measures were used to reduce the risk associated with non-compliance with the terms and conditions:

- Some monitoring activities including on-site visits and documentation reviews to validate client eligibility did not occur but the number of eligible clients was estimated using recent caseload data and historical data. Information from phone calls, video calls and email between the regional offices and funding recipients were also considered.
- Some Activity and Expenditure reports were received by the due date while others were outstanding. The program noted that the outstanding reports were still expected to be received. Discussions with HQ also noted that ISC provided flexibility in reporting for all programs, including Income Assistance, during the pandemic, and as such some late reporting was expected. The flexibility designed into the expenses for the COVID-19 funding reduced the risk that expenses would not be eligible.
- The methodology used to estimate and respond to increases in required funding ensured sufficient resources were available to recipients.
- Despite late and outstanding A&E reports for COVID-19 funding, the program receives the majority of its regular income assistance reporting in a reasonable amount of time thus providing it with the information needed to run the program.

Opportunities for Improvement

The following recommendations have been made with respect to reducing the risk associated with ensuring eligibility and the availability of key data for decision-making in urgent situations like the COVID-19 pandemic and in the regular course of business for the program.

1. Once the full suite of monitoring activities can resume, the Assistant Deputy Minister of Education and Social Development Program and Partnerships should establish the

parameters and overall policy direction to guide the validation that COVID-19 benefits were only provided to clients that were eligible. The Senior Assistant Deputy Minister, the Assistant Deputy Minister and the Regional Director Generals of Regional Operations should execute this validation. Together, they should address any concerns identified by the validation.

2. The Assistant Deputy Minister of Education and Social Development Program and Partnerships should work with the Senior Assistant Deputy Minister and the Assistant Deputy Minister of Regional Operations as well as any other relevant stakeholders to ensure that data on caseload numbers is kept as current as possible and available for decision-making purposes. This includes examining and optimizing the timing of data transfers from regions to HQ and the current data transfer approach from regions to HQ.

Overall Conclusion

The audit recognized that the pandemic had an unprecedented impact on First Nations communities and their needs. The Income Assistance COVID-19 funding had to be delivered quickly and have sufficient flexibility to allow First Nations to prioritize the needs of their communities as well as new needs that would evolve during the pandemic. The approach to compliance with the terms and conditions of the funding had to consider this context and the ability of First Nations to respond to funding agreement requirements while dealing with the urgent impacts of the pandemic in their communities.

The audit concluded that for the COVID-19 funding, there was compliance with the terms and conditions related to eligibility of funding recipients, regional monitoring and follow-up of annual reports that were not received as well as review of the annual financial reporting packages that included the IA program's COVID-19 funding. Furthermore, the methodology chosen ensured sufficient funding to First Nations communities even though there was limited time allotted to determine caseload estimates. In addition, despite the late reporting found across the Income Assistance program, the majority of reports are received with a two-year period. The relevance of the data available impacts decision-making, and there is opportunity to ensure key data points such as caseload numbers for the program are current.

Statement of conformance

The audit conforms with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and the Government of Canada's Policy on Internal Audit, as supported by the results of the Quality Assurance and Improvement program.

Management's Response

Management is in agreement with the findings, has accepted the recommendation included in the report and has developed a management action plan to address it. The management action plan has been integrated into this report.

1. CONTEXT

Indigenous Services Canada's (ISC) Income Assistance (IA) program provides eligible individuals and families living on reserve as well as those that are Status Indians in Yukon with funds to cover their living expenses at comparable rates to provincial and territorial income support programs. It is delivered by First Nations and tribal councils, except in Yukon and Ontario. In Yukon, it is delivered directly by Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC) and in Ontario, it is administered by the Government of Ontario in accordance with the *1965 Canada-Ontario Memorandum of Agreement Respecting Welfare Programs for Indians*. This agreement (informally referred to as the '1965 Agreement') supports cost-sharing of the on-reserve IA program delivered in First Nations communities under the overall management oversight and responsibility of the Government of Ontario.

The program has four funding components. The basic needs component includes food, clothing and shelter costs such as rent and utilities. The special needs component includes special diets, special transportation, funerals and burials. The pre-employment supports component includes life skills, counselling, childcare and work experience. The service delivery component includes salaries, benefits, travel, professional development and IT systems.

Roles and Responsibilities

Within ISC, the Education and Social Development Program and Partnerships (ESDPP) Sector is responsible for administering the program, including the program structure and the transfer of funds to the Regional Operations (RO) regional offices. The regional offices are responsible for the delivery of funds to the funding recipients. In addition, they are responsible for planning budgets, setting rates, providing communications and guidance to First Nations and organizations, tracking expenditures, analyzing financial statements and reports as well as ensuring compliance with program requirements.

Policies and Guidance Documents

The 2012 Treasury Board *Policy on Transfer Payments* outlines the overarching requirements for the administration and effective monitoring and oversight for funding programs. The IA program is subject to the requirements of the Policy.

The Grants and Contributions to Provide Income Support to On-Reserve Residents guidance prescribes the terms and conditions to which the IA program is subject.

The National Income Assistance Guidelines set out the delivery requirements and standards for funding recipients of the IA program that have entered into a funding agreement with ISC. The guidelines also set out the monitoring and oversight requirements for program delivery by ISC.

The *Reporting Guide* sets out the detailed reporting requirements to gather information on whether funds provided under the IA program were spent on the purposes intended, that terms

and conditions of funding agreements were met and that the recipient's financial situation was sufficiently stable in order to assure continued delivery of services.

Income Assistance & COVID-19 Funding

To help ensure that First Nations individuals and families who rely on Income Assistance were able to cover their essential living expenses during the first phase of the COVID-19 pandemic, the Minister of Indigenous Services announced that $270 million would be provided to address the increased demand related to COVID-19, including $124.4 million for COVID-19 benefits and $145.6 million for program integrity funding. Program integrity funding is funding provided to First Nations and Provinces to ensure that ISC's program matches annual provincial rate increases (Price) or additional clients (Volume) that need income assistance support due to socio-economic reasons.

The COVID-19 benefit of $300 per month to all IA client households retroactively for April 2020 to June 2020 totaled $88.4 million. It was provided with guidance on how a First Nation community or organization could consider alternative options if there were other, more effective ways of meeting the needs of Income Assistance clients during the pandemic.

The program also provided additional funding of $36 million to First Nations for service delivery during the pandemic.

Recognizing that there was further need related to COVID-19, the program provided additional funding of $99.1 million, which was also based on a $300 per month COVID-19 benefit per Income Assistance client household for January 2021 to March 2021.

There were no differences between the administration of the regular IA funding and the COVID-19 funding, and as such there were no changes required to the IA program Terms and Conditions to accommodate the delivery of the COVID-19 funding. The only difference was the additional flexibilities provided for the type and nature of expenses eligible under this funding.

ISC distributed decision letters and formal Questions & Answers (Q&A) documents to the recipients to communicate the provision of the additional funding and the parameters surrounding the funding. These documents also communicated that First Nations recipients had significant flexibility to utilize alternative fund distribution methods in an effort to quickly and effectively respond to the challenges the communities were facing during the pandemic. Alternative options of providing Income Assistance supports to clients, instead of the temporary $300 per month COVID-19 benefit, could be pursued by recipients if deemed by Chief and Council to better meet the needs of Income Assistance clients.

2. ABOUT THE AUDIT

The Compliance Audit of the Terms and Conditions of the Income Assistance program for COVID-19 Funding is part of the Crown-Indigenous Relations and Northern Affairs Canada and ISC Risk-Based Audit Plan for 2021-22 to 2022-23, which was presented to the Departmental Audit Committee and approved by the Deputy Minister in June 2021.

2.1 Why it is important

This audit supports the Department in demonstrating its due diligence with respect to the Income Assistance program's COVID-19 funding as it accelerated the delivery of financial support to First Nations communities. The audit is also important because it ensures sufficient funding was made available for support during the COVID-19 pandemic.

2.2 Audit Objective

The audit objective was to provide assurance that the IA program had respected key existing terms and conditions and new guidance in the delivery of its COVID-19 funding and that the program had developed a methodology to determine the appropriate level of funding for COVID-19 related assistance.

2.3 Audit Scope

The scope of the audit included the targeted COVID-19 funds, which included the COVID-19 benefits and the service delivery funding administered under the IA program. The program integrity funding is an ongoing element of the IA program and was not introduced as a result of COVID-19. As such, the program integrity funding was scoped out of this audit.

The compliance audit assessed the requirements or eligibility, type and nature of eligible expenditures, due diligence as well as reporting. The scope of the audit excluded terms and conditions that may have been lower risk for the COVID-19 funding, including those related to intellectual property, official languages, maximum amounts payable and similar terms and conditions.

The audit also looked at the methodology used in determining the level of COVID-19 funding, including rationale used to develop the methodology for developing the estimate for increases in case loads due to the pandemic.

The audit covered the period from April 1, 2020 to June 30, 2022. This period was chosen because it reflects key COVID-19 dates, such as the funding delivery deadlines and reporting deadline and allowed for review of reporting activities while accounting for more current information with respect to reporting activities.

SAMPLING STRATEGY

The IA program COVID-19 funding amounts totalled $227.8 million for COVID-19 benefits and service delivery funding for fiscal year 2020-2021. The total amount of IA program COVID-19 funding received by each regional offices is depicted in table 1 below.

Table 1: COVID-19 Benefit Funding by Region

Region	Total Funding ($)	Percent of Total Funding
Manitoba	$ 57,900,364	25.41%
Saskatchewan	$ 50,014,032	21.95%
Ontario	$ 36,205,756	15.89%
British Columbia	$ 26,175,026	11.49%
Atlantic	$ 18,674,442	8.20%
Alberta	$ 18,091,964	7.94%
Quebec	$ 17,338,517	7.61%
Yukon	$ 3,440,736	1.51%
Grand Total	**$ 227,840,837**	

A sampling strategy was developed to select the regional offices to be included in the audit for review, assessment and testing. This sampling methodology maximized the percentage of IA program COVID-19 funding included in the sample and examined different delivery models utilized by regional offices.

Consideration of different delivery models

The IA program funding is delivered directly to eligible funding recipients such as First Nations and tribal councils, except in Ontario and Yukon. In Ontario, IA funding is normally administered by the Government of Ontario in accordance with the 1965 Agreement. However, with regards to the IA program COVID-19 funding, the Ontario funding was delivered directly to the First Nations that normally receive funding via the province. This funding was included in the audit. In Yukon, the funding is delivered directly by CIRNAC and was scoped out due to the small amount of funding administered.

Maximizing Percentage of COVID funding in Sample

To maximize the amount of funding covered by the audit sample, the regional offices of Manitoba, Saskatchewan, British Columbia and Ontario were selected. Selection of these regional offices provided a coverage of over 74.74% of the total IA program COVID-19 funding amounts, which was then sampled for testing and assessment during the audit.

2.4   Audit Approach and Methodology

The audit was conducted in accordance with the requirements of the Treasury Board *Policy on Internal Audit* and followed the Institute of Internal Auditors *International Professional Practices Framework*. The audit examined sufficient, relevant evidence and obtained sufficient information to provide a reasonable level of assurance in support of the audit conclusion.

The audit fieldwork was performed from November 2021 to January 2022 and from May 2022 to June 2022 and consisted of three phases: planning, conduct and reporting. The main audit techniques used included:

- Interviews with key stakeholders, including the IA program management, regional office management, funding services officers, field operations managers and social programs staff;

- Review of relevant documentation related to the terms and conditions of the program, administration and operations of the COVID-19 funding, and other relevant procedures and guidelines;

- Recalculation of estimates and analysis of reporting data;

- File testing to test compliance with the applicable requirements; and,

- Follow up requests/meetings to validate preliminary testing observations.

The approach used to address the audit objective included the development of audit criteria, against which observations and conclusions were drawn. The audit criteria can be found in Annex A.

3.   KEY FINDINGS AND RECOMMENDATIONS

3.1   Eligibility of Funding Recipients and Clients

BACKGROUND

Section four of the terms and conditions for the IA program outlines who is eligible to receive funding from ISC to deliver the program (funding recipients) and who is eligible to receive income assistance funding (clients).

Funding Recipients

The terms and conditions for the IA program defines a funding recipient as *"…an individual or entity that has met the eligibility criteria of the program and has signed a funding agreement with ISC to deliver an initiative (program, service or activity)".* A funding recipient receives the funding from ISC IA program and delivers the funding to the eligible clients within the boundaries of the program requirements.

Examples of recipients that would be eligible to deliver the IA program funding to eligible clients include:

- Chiefs and councils of First Nations bands recognized by the Government of Canada
- Tribal councils
- Provinces or Yukon Territory
- Indigenous communities and organizations
- Political or treaty organizations

Clients

The terms and conditions for the Income Assistance program defines a client as *"…a person who ultimately receives the benefit of programs or services funded by the Income Assistance program".* The funding recipients provide programs, services and/or activities to the clients, who are the ultimate receivers of the funding. It should be noted that the funding recipients are responsible for determining client eligibility and providing funding to the clients. The IA program does not provide any direct funding or services to the clients; however, the regional offices conduct monitoring activities including on-site visits and documentation reviews to validate the existence and eligibility of the clients.

Eligible clients who can receive income assistance include individuals that:

- Are ordinarily resident on reserve or Status First Nations living in the Yukon Territory;
- Are eligible for basic or special financial assistance; and,
- Require income support under the Income Assistance program because they have no other source of funding to meet basic need.

The COVID-19 benefit was included in the IA program and was subject to the same eligibility requirements. It was expected that the COVID-19 funding was delivered to eligible funding recipients and eligible clients.

RISKS

There is a risk that if the funding was delivered to ineligible funding recipients and/or ineligible clients, the amount of funding available for eligible recipients and clients would be reduced, impacting the IA program's ability to meet the needs of the First Nation individuals and families.

There is also a risk that inadequate COVID-19 funding support was provided to funding recipients and clients, impacting the IA program's ability to meet the needs of the First Nation individuals and families.

FINDINGS

Eligibility of Funding Recipients

Testing of the documentation found that current and signed agreements were in place for all funding recipients tested.

Eligibility of Clients

The funding recipients are responsible for determining client eligibility and administering funds to the clients. As part of this responsibility, funding recipients report data on the number of clients to the respective regional offices on a quarterly basis.

Due to the sudden nature of the COVID-19 pandemic and urgent need to get funds to communities, the IA program had approximately 24 hours at the start of the pandemic to determine the amount of funding needed in COVID-19 support. In order to determine the amount of funding, the number of clients needed to be identified. The IA program used the caseload data available at that time; however the audit found that the IA program at HQ and regional offices did not have up to date data on the overall IA program clients. As such, the IA program at HQ and the regional offices worked together to estimate the number of respective clients, using the available historical data.

In determining an appropriate methodology for COVID-19 funding, regional offices were consulted, providing varied methodologies in estimating caseload increases. HQ compiled the regional estimates and decided upon a 30% adjustment of case loads, which was applied to the most recent verified historical data available (2017/2018). The new adjusted data of eligible clients was multiplied by $300 per head of household to obtain the total COVID 19 funding amount for each monthly payment to recipients. The audit found that $300 was chosen to provide parity with the most generous provincial emergency income assistance measures announced. This methodology was approved through a formal budget request.

The audit assessed that the methodology mitigated the risk of providing insufficient funds as the amount of funds provided for COVID-19 exceeded the total amount of funding requested by all regional offices, except one. Further, the IA program (HQ) communicated to regional offices with the final approved amounts expressing willingness to provide additional funding, as required. Three regions requested and received additional funding from HQ. First Nations with remaining funding were able to re-distribute this funding to provide additional supports to their existing clients.

In discussions at the HQ and with regional offices personnel, audit team was informed that the program was not able to validate client eligibility for recipients of the additional COVID-19 funding. While the acceptance of this risk was not formally documented, discussions with varying levels of IA program management noted the risk to be low and evidenced alignment in this approach.

Overall, the methodology to determine and allocate funding amounts to the client was found to be reasonable given the time constraints and approvals went through the appropriate channels. The funding provided was sufficient and top-ups were provided when requested.

There is an opportunity to improve data accuracy within the IA program. Although this was a unique request and was outside of the normal operation of the IA program, data on the number of clients and caseloads should be timely and on-hand for decision making purposes. It is understandable that this data is changing as the numbers of caseloads is evolving, however, there is an opportunity to ensure that the most recent data on which to base decisions is not three years old.

RECOMMENDATIONS

1. Once the full suite of monitoring activities can resume, the Assistant Deputy Minister of Education and Social Development Program and Partnerships should establish the parameters and overall policy direction to guide the validation that COVID-19 benefits were only provided to clients that were eligible. The Senior Assistant Deputy Minister, the Assistant Deputy Minister and the Regional Director Generals of Regional Operations should execute this validation. Together, they should address any concerns identified by the validation.

2. The Assistant Deputy Minister of Education and Social Development Program and Partnerships should work with the Senior Assistant Deputy Minister and the Assistant Deputy Minister of Regional Operations as well as any other relevant stakeholders to ensure that data on caseload numbers is kept as current as possible and available for decision-making purposes. This includes examining and optimizing the timing of data transfers from regions to HQ and the current data transfer approach from regions to HQ.

3.2   IA Program Activity and Expenditure Reporting

BACKGROUND

The terms and conditions of the IA program prescribe the type and nature of eligible activities and expenditures under the program as well as the requirement to report annually on the use of funds via the activities and expenditures report. This area became of interest because of the issues related to availability of relevant data in determining the level of COVID-19 funding.

Eligible Activities and Expenditures

The IA program's eligible activities and expenditures are documented in the IA program Terms and Conditions. The Income Assistance National Program Guidelines provide additional detail on the eligible activities and expenditures, listing examples and specific activities.

COVID-19 Funding

Under the COVID-19 funding, additional guidance and flexibility were provided related to the types of activities and the nature of expenditures allowed. The flexibility was important as it helped the funding recipients align the expenditures with the needs of the clients.

The additional flexibility was communicated through the Q&A documents provided from the IA program at HQ to regional offices and ultimately to the funding recipients as part of the COVID-19 funding information package. More specifically, the Q&A documents offered guidance to the funding recipients in delivery of the COVID-19 funding, providing flexibility to meet the individual and specific needs of their clients. Examples of flexibilities offered that were specific to the COVID-19 funding were as follows:

- Providing different amounts to clients based on family composition (for an individual versus a family)
- Bulk food purchases for distribution
- Gift cards for food, clothing, gas
- Community pantries
- Internet fees (for case management in special cases)

Reporting Requirements

The Q&A documents distributed to recipients also documented the reporting requirements for the COVID-19 portion of funding under the IA program. The Activities and Expenditure (A&E) reports were required to be completed with sufficient qualitative and quantitative information and then submitted to the Department via the Grants and Contributions Information Management System (GCIMS) software by July 30, 2021. The regional offices assessed the eligibility of the activities and expenditures by reviewing the information included in the A&E reports.

IA Program Funding

Under the regular IA program, the regional offices receive quarterly data collection instrument (DCI) reports from the recipients. This data is rolled up for IA HQ on an annual basis, manually, through use of a shared drive. The data is considered "final" once the regional offices have received and included 95% of the reporting data from the recipients.

Ontario is the exception to this process. Income assistance is governed under the 1965 agreement which has the province of Ontario providing funds directly to the recipients and subsequently being reimbursed by ISC. Rather than quarterly reports, Form 5 the application for Monthly Payment of Provincial Subsidy for Assistance is received monthly. This is not a reporting requirement in First Nations agreements and as such, would not show in GCIMS; rather it is captured in Ontario Works. COVID-19 funding was unique in that recipients in Ontario received funding directly from ISC.

Based on the requirements noted above, the audit expected that the A&E reports were submitted on time and included all the required qualitative and quantitative information related to the eligibility of activities and expenditures.

RISK

If the reporting was not received or was not complete, there may have been a risk that the information required to make decisions about future eligibility of expenses or to further adapt eligibility or flexibility would not be available.

FINDINGS

Timeliness

Reporting on COVID-19 Funding

The information on the eligibility of activities and expenditures was required to be reported to regional offices in the annual Activity and Expenditure (A&E) reports. To validate that the reports were submitted on time, the GCIMS data for all IA program COVID-19 funding recipients in the sampled regions and their associated Activity and Expenditure reports was reviewed. Table 2 summarizes the GCIMS data.

Table 2: Summary of GCIMS Data by Regional Office as of June 2022

Region	Total A&E Reports expected to be received	Total A&E Reports Received	Reports Outstanding (%)	Average Days Past Due from Original Due Date for Reports Received
Saskatchewan	60	10	83%	199
Manitoba	63	15	76%	72
British Columbia	173	66	62%	103
Ontario	102	58	43%	109
Average or Total	**398**	**149**	**63%**	**121**

The reports were due by July 30, 2021. As depicted in the table above, 63% of A&E reports had not been received by regional offices as of June 2022. Further, of the reports that were received, they were received on average 121 days late.

Non-COVID-19 Reporting for IA Program

The audit team also examined reporting on funding that is not COVID-19 related but that is part of the regular IA program funding. As explained in the background section, IA program funding recipients are requested to submit quarterly Data Collection Instrument (DCI) reports (Ontario (NFR), and Self-Governing First Nations being the exception) to the respective regional offices providing data on clients and the activities and expenditures. To validate the timeliness of these

DCI reports, internal audit reviewed the IA program DCI GCIMS data (and Ontario Works data), over a three-year period.

Tables 3, 4 and 5 summarizes the GCIMS and Ontario Works data for the three fiscal years: 2021/22, 2020/21 and 2019/20.

Table 3: Summary of GCIMS and Ontario Works Data, Income Assistance Reporting 2021/22

Region	Total A&E Reports expected to be received	Total A&E Reports Received	Reports Outstanding (%) as of June 2022	Average Days Past Due from Original Due Date for Reports Received
Saskatchewan	218	142	35%	94
Manitoba	260	174	33%	43
British Columbia	450	188	58%	74
Ontario	1212	975	20%	17
Average or Total	**2140**	**1479**	**31%**	**57**

Table 4: Summary of GCIMS and Ontario Works Data, Income Assistance Reporting 2020/21

Region	Total A&E Reports expected to be received	Total A&E Reports Received	Reports Outstanding (%) as of June 2022	Average Days Past Due from Original Due Date for Reports Received
Saskatchewan	259	211	19%	134
Manitoba	236	233	1%	110
British Columbia	464	321	31%	224
Ontario	1212	1147	5%	14
Average or Total	**2171**	**1912**	**12%**	**121**

Table 5: Summary of GCIMS and Ontario Works Data, Income Assistance Reporting 2019/20

Region	Total A&E Reports expected to be received	Total A&E Reports Received	Reports Outstanding (%) as of June 2022	Average Days Past Due from Original Due Date for Reports Received
Saskatchewan	221	213	4%	97
Manitoba	241	235	2%	123
British Columbia	496	443	11%	375
Ontario	1212	1204	1%	1
Average or Total	**2170**	**2095**	**3%**	**149**

The tables 3, 4 and 5 highlight the fact that there are delays in reporting but that over time, the majority of reports are received.

Overall, the program informed the audit team that they have been able to mitigate the risk of the late data, and continue to forecast and budget funding amounts, using a combination of historical

and timely data, as a well as leveraging information and context from case officers and others that work closely with the communities.

Completeness of the information to assess eligibility of activities and expenditures

To assess the completeness of the information on activities and expenditures in the A&E reports that were received, fourteen reports were assessed. Thirteen of the fourteen reports included sufficient information to understand and assess the type and nature of the activities and expenditures. These reports included specific information related to the programs, projects and activities being reported on.

One of the fourteen reports did not include sufficient information to facilitate an understanding of the nature of the expenditures. The descriptions of the activities were broad in nature and included language such as "assistance to individuals".

The risks associated with not being able to validate the eligibility of expenses due to the lack of reporting and incomplete reporting was partially mitigated by the broadened interpretation of the existing eligible expenses for COVID-19 funding as described in the Q&A documents. The IA program provided significant flexibility to the funding recipients on the use of funds, specifically the type and nature of eligible activities and expenditures. This was done to maximize client value/needs and reduce administrative burden to funding recipients while still remaining aligned with existing program terms and conditions.

The audit found that, based on the information that had been provided in the complete reports, the definition of an eligible expense was flexible enough to include the expenses that had occurred. Examples of reported eligible expense included food supplies and vouchers, groceries, cleaning supplies, phone cards and more. It was felt that the increased flexibilities on the types of expenditures allowed under the COVID-19 funding reduced the residual risk that expenses were ineligible.

3.3   Monitoring and Annual Reporting

BACKGROUND

The Income Assistance National Program Guidelines state the requirement for the monitoring and oversight of the IA program, as follows:

"All funding recipient reporting requirements are subject to monitoring and oversight activities to determine the accuracy of the information provided to ISC."

For the COVID-19 funding, it was expected that the IA program regional offices were performing oversight and monitoring activities of the reporting requirements to ensure compliance and to determine the accuracy of the information provided from the funding recipients.

RISK

If the regional offices do not receive accurate information and reports, there is a risk that the IA program may not be aware of the evolving needs of the clients, and therefore cannot effectively respond.

FINDING

The regional offices held the primary responsibility for monitoring and oversight of the funding recipients in the IA program. At the regional office level, Funding Services Officers were assigned a portfolio of funding recipients to work with and oversee under the IA program. Their responsibilities included monitoring and oversight of the annual reporting.

The monitoring role played by the IA program at HQ was to understand the current needs of the clients and use it to inform future funding options. The regional offices were to submit summaries regarding A&E reports as well as information collected through the informal communication channels to the IA program at HQ. This information assists the IA program in determining ongoing needs.

Monthly Process

On a monthly basis, the Funding Services Officers used GCIMS to identify the outstanding program funding annual reports that have not been received from the recipients, including the COVID-19 A&E reports. Using the GCIMS data, reminder notices were sent out to the funding recipients. The significant number of A&E reports that were not provided to the sampled regional offices was described in Section 2.

The audit found that, for the sampled regional offices, different reminder approaches were used. In some regional offices, it was found that the Funding Services Officers prepared a letter for each recipient, summarizing any late and/or missing reports identified through review of the GCIMS data. In other regional offices, an automated reminder was sent to the funding recipients by GCIMS which noted any outstanding reports.

Annual Process

On an annual basis, the Funding Services Officers are responsible for reviewing the financial statement packages that are prepared for each recipient by a third-party auditor. The purpose of this review is to ensure that the reported funding amounts include all the different ISC program funding provided to the recipients, that the reports include sufficient and accurate program information and that the program schedules (that are included in the package but are not audited) are accurate and complete. The Funding Services Officers follow up with the third-party auditor on any issues or discrepancies.

The audit chose samples from the financial packages received by the regional offices. The audit confirmed that the COVID-19 funding was included in the fiscal year 2020-21 annual process

review through a non-audited schedule. These financial packages were reviewed by the Funding Services Officers. This schedule included a high-level reconciliation of all the COVID-19 funding provided to the funding recipient; it was not exclusive to the IA program COVID-19 funding.

3.4   Overall Conclusion

The audit recognized that the pandemic had an unprecedented impact on First Nations communities and their needs. The Income Assistance COVID-19 funding had to be delivered quickly and have sufficient flexibility to allow First Nations to prioritize the needs of their communities as well as new needs that would evolve during the pandemic. The approach to compliance with the terms and conditions of the funding had to consider this context and the ability of First Nations to respond to funding agreement requirements while dealing with the urgent impacts of the pandemic in their communities.

The audit concluded that for the COVID-19 funding, there was compliance with the terms and conditions related to eligibility of funding recipients, regional monitoring and follow-up of annual reports that were not received as well as review of the annual financial reporting packages that included the IA program's COVID-19 funding. Furthermore, the methodology chosen ensured sufficient funding to First Nations communities even though there was limited time allotted to determine caseload estimates. In addition, despite the late reporting found across the Income Assistance program, the majority of reports are received within a two year period. The relevance of the data available impacts decision making, and there is opportunity to ensure key data points such as caseload numbers for the program are current.

4.   MANAGEMENT ACTION PLAN

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
1. Once the full suite of monitoring activities can resume, the Assistant Deputy Minister of Education and Social Development Program and Partnerships should establish the parameters and overall policy direction to guide the	We concur with the recommendation to validate that COVID-19 funds were only provided to eligible clients however Education and Social Development Programs and Partnerships and Regional Operations accepts this risk.	Assistant Deputy Minister, Education and Social Development Programs and Partnerships; Senior Assistant Deputy Minister of Regional Operations;	Target Completion Date: 2022-23 Q2

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
validation that COVID-19 benefits were only provided to clients that were eligible. The Senior Assistant Deputy Minister and the Regional Director Generals of Regional Operations should execute this validation. Together, they should address any concerns identified by the validation.	ISC is committed to transferring control of services to First Nations partners as a way to recognize their inherent right to self-determination with flexible approaches that are inclusive and responsive to the diversity of Indigenous peoples. In light of the Department providing greater flexibility in moving COVID-19 funding between programs, recipients were able provide alternative options to support individuals and families in receipt of income assistance. Given the flexibility provided and having reviewed the reports already received from recipients, the Program considers this risk to be low and is accepted by the Assistant Deputy Minister, Education and Social Development	Assistant Deputy Minister of Regional Operations; Regional Director Generals of Regional Operations	

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
	Programs and Partnerships and the Senior Assistant Deputy Minister of Regional Operations.		
2. The Assistant Deputy Minister of Education and Social Development Program and Partnerships should work with the Senior Assistant Deputy Minister and the Assistant Deputy Minister of Regional Operations as well as any other relevant stakeholders to ensure that data on caseload numbers is kept as current as possible and available for decision-making purposes. This includes examining and optimizing the timing of data transfers from regions to HQ and the current data transfer approach from regions to HQ.	We concur with the recommendation to ensure that caseload numbers are kept as current as possible within the limitations of our data collection processes and the ultimate goal of service transfer to First Nations. 1.ESDPP in collaboration with RO, is in the process of automating the Income Assistance data collection and reporting process through an Income Assistance IT system. This system is expected to streamline the process and reduce data input errors which will improve the overall efficiency of data collection. 2.ESDPP and RO will address data collection availability by supporting recipients in a collaborative manner, using the least intrusive methods possible. For example:	Assistant Deputy Minister, Education and Social Development Programs and Partnerships; Senior Assistant Deputy Minister of Regional Operations; Assistant Deputy Minister of Regional Operations; Regional Director Generals of Regional Operations	Target Completion Date: 1. 2023-2024 Q4 2. 2023-2024 Q4 (to leverage automation) Note: Completion dates may be impacted by the ongoing pandemic and the availability of resources.

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
	-RO will have discussions with recipients on reporting requirements and any support they need to deliver reporting as expediently as possible. -ESDPP and RO will discuss opportunities for greater efficiencies when it comes to data collection, validation, and analysis. ESDPP will provide guidance to RO for discussions with recipients.		

ANNEX A: AUDIT CRITERIA

To ensure an appropriate level of assurance to meet the audit objectives, the following audit criteria were developed to address the objectives.

Audit Criteria	
Eligibility Requirements	
1.1	The Income Assistance COVID-19 funding has been delivered in compliance with the eligibility requirements. (Eligibility of funding recipients and client)
1.2	The Income Assistance COVID-19 funding has been delivered in compliance with the eligibility requirements. (Type and nature of eligible costs)
Oversight and Monitoring	
2.1	ISC has fulfilled the oversight requirements of the Income Assistance Program for the COVID-19 funding.
Compliance with Reporting Requirements.	
3.1	The Income Assistance COVID-19 funding has been delivered in compliance with the Income Assistance reporting requirements.
Risk Mitigation – Compensating Controls	
4.1	ISC implemented additional risk mitigation measures when compliance with the selected requirements did not occur.