Public Safety Canada

Audit of National Crime Prevention Strategy Program

October 2011

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1.0   Executive Summary

1.1   Background

The National Crime Prevention Centre (NCPC) contributes to the federal government's role in sustaining community safety. It is responsible for administering the National Crime Prevention Strategy (NCPS), through which the federal government provides grants and contribution funding to community-based crime prevention projects; develops local, provincial/territorial, national, and international partnerships; and develops and transfers knowledge to further the practice of crime prevention.

The mission of the NCPS is to "provide national leadership in effective and cost-effective ways to both prevent and reduce crime by addressing known risk factors in high-risk populations and places". To achieve the NCPS mission, the NCPC develops policies; gathers and disseminates knowledge to Canadian communities; and, in cooperation with the provinces and territories, manages funding programs that support community crime prevention projects through time-limited grants and contributions.

The ultimate goal of the NCPS is to reduce the propensity to offend among targeted at-risk groups of the population. To achieve this goal, the NCPS supports communities to implement and evaluate promising practices and model programs that have an impact on key-risk factors for offending. It also builds and shares practical knowledge of effective crime prevention practices with policy makers and practitioners.

The NCPS aggregated multiple funding programs which support innovative, model and promising crime prevention programs, the dissemination of knowledge, information and tools, as well as fostering crime prevention in high risk communities and for certain at-risk target populations. The NCPS strategy was refocused most recently in 2008 and approximately $43M in transfer payments were provided under NCPS in fiscal year 2010-2011. National, provincial, territorial municipal, Aboriginal community or professional organizations, societies and associations and not-for-profit organizations are the primary recipients for this program. The NCPS funding programs include a mixture of sunsetting and ongoing programs which are renewed at different times.

As a Branch within Public Safety, the NCPC reports to the Assistant Deputy Minister of Community Safety and Partnership Branch and falls under that mandate.

The G&C Support Services Unit (SSU), within the Corporate Management Branch (CMB), supports effective management of G&C programs within Public Safety.

The Comptrollership Directorate resides within the Corporate Management Branch (CMB) and is responsible for the following areas:

- Financial Planning, Analysis and Reporting (FPAR) who based on discussion with the FPAR Director, is responsible for providing assistance to Program Assistant Deputy Ministers (ADMs) and their management teams in the development of Memoranda to Cabinet (MC) and Treasury Board (TB) submissions that have direct resource implications for PS.
- Financial Services and Systems is responsible for ensuring compliance with applicable policies and legislation before exercising Section (33) of the FAA. Section (33) provides the authority to pay the expenditures after ensuring that the payment is a lawful charge against an appropriation and that Section 34 has been properly exercised.
- Portfolio Financial Affairs is responsible for working with Portfolio Partners, Treasury Board Secretariat (TBS) and the Minister's Office to co-ordinate scheduling, receipt and approval of all TB submissions.
- Grants and Contributions Support Services Unit (GSSU) supports effective management of G&C programs within PS.

Further this Directorate also has responsibility for developing and maintaining the Delegation of Financial Signing Authorities Instruments.

1.2   Why it is Important

Given the materiality of this Grants and Contributions (G&C) program within Public Safety, and the expectations for appropriate governance, risk management and internal control practices within G&C programs, an audit of the NCPS was included in the 2010 Public Safety Risk-based Audit Plan approved by the Deputy Minister.

1.3   Audit Objective and Scope

The objective of this audit is to provide senior management with assurance that the management control framework over this G&C program is appropriately designed and operating effectively.

The audit criteria established the expectations for the audit and formed the framework for the specific audit tests. The audit criteria were based on the core management controls developed by the Office of the Comptroller General and applicable policies, legislation and regulations.

1.4   Audit Opinion

Based on the review of management controls, risk management frameworks and the overall governance structure of this program, the audit's conclusion is that NCPS practices and processes are generally controlled; however, there are moderate issues that require management focus in the areas of service delivery standards, roles and procedures for commitment authorization, program

risk management, accountability in collaboration mechanisms, and performance measurement, which are described further in this report.

1.5   Statement of Assurance

In the professional judgment of the Chief Audit Executive, sufficient and appropriate audit procedures have been conducted and evidence gathered to provide senior management with reasonable assurance of the accuracy of the opinion provided and contained in this report.   The opinion is based on a comparison of the conditions, as they existed during the timeframe defined by the audit scope, against pre-established audit criteria. The opinion is applicable only to the entity examined.

1.6   Summary of Audit Findings

Throughout the audit fieldwork, the audit team observed several examples of how controls are properly designed and applied effectively in the areas of program delivery support materials (e.g. staff procedural guides), budgeting and planning processes, file documentation to support project recommendations, and recipient satisfaction in the communication and assistance provided by the Program.

As noted above, the audit team also identified areas where management practices and processes could be improved:
- While the Program management has started to gather project data and a knowledge strategy has been developed, it will be important that continued attention and visibility is paid to performance measurement to ensure the program's success can be measured and reported.
- A periodic review of NCPS program risks and the effectiveness of mitigating measures used to manage these risks would benefit management in determining if program risks are being adequately mitigated or if there are additional risks that should be considered by Program management.
- The authorities, accountabilities, expectations and roles/responsibilities which form the basis for collaboration between the program and key provincial and territorial governments (specifically for Project Review Committees) should be developed and approved.
- While service delivery standards are currently being established in collaboration with the Public Safety departmental working group, further analysis is required by Program management to determine and better understand current performance levels (e.g. average time taken in key steps in the program's processes) to inform the development of service standards and to help determine where the process may be streamlined and/or made more efficient.
- The department's Delegation of Financial Signing Authority instrument does not clearly indicate how expenditure initiation approval for Gs&Cs is delegated. Similarly, clarification

is required with regards to the required documentation that needs to be in place to evidence expenditure initiation approvals and authorizations.

- Additional clarification would be beneficial with regards to what evidence is required to demonstrate that the Program has authorized financial commitments to be made in the departmental financial system.

1.7 Summary of Audit Recommendations

1) The Executive Director of NCPC should ensure that focused efforts are made to collect and report on Program performance, and that timely, formalized updates are provided to senior management on the status of the Program's performance measurement initiatives.

2) The Executive Director of NCPC should ensure that Program risks are reviewed periodically and appropriate mitigating actions are in place to reduce risk exposure to acceptable levels as determined by Program Management.

3) The Executive Director of NCPC should ensure that approved terms of reference for Project Review Committees (which cover authorities, accountabilities, expectations and roles/responsibilities - including conflict of interest procedures) are in place as the basis for collaboration between the Program and provincial and territorial governments.

4) The Executive Director of NCPC, should:
- in collaboration with the Grants and Contributions Reform Committee, formalize service delivery standards for the Program;
- as part of the process to formalize service delivery standards, conduct an analysis of the time taken for key steps within the Program's project development and approval processes in order to identify potential opportunities to streamline the process and/or create efficiencies; and
- in support of tracking the Program's performance against service delivery standards, reinforce required procedures for Program staff to record dates/timing for key steps in the project development and approval processes.

5) The Comptroller, Corporate Management Branch (CMB) should ensure that expenditure initiation approval for departmental G&Cs is clearly defined within the department's Delegation of Financial Signing Authority document; and that clarification is provided to departmental staff on how to authorize and evidence expenditure initiation.

6) The Comptroller, Corporate Management Branch (CMB), in collaboration with the Executive Director of NCPC, should clarify roles, procedures and required evidence to demonstrate the NCPC authorization of financial commitments.

1.8 Management Response

NCPC agrees with all of the recommendations included in the Audit. Key planned actions include updating the Performance Measurement Strategy, Accountability, Audit and Risk Framework, Project Review Committees' Terms of Reference and the development of an analysis paper of current timelines and service standards which will include recommendations for more streamlined processes.

Approved By: Rosemary Stephenson

Chief Audit Executive

2.0   Background

The National Crime Prevention Centre (NCPC) contributes to the federal government's role in sustaining community safety. It is responsible for administering the National Crime Prevention Strategy (NCPS), through which the federal government provides grants and contribution funding to community-based crime prevention projects; develops local, provincial/territorial, national, and international partnerships; and develops and transfers knowledge to further the practice of crime prevention.

The mission of the NCPS is to "provide national leadership in effective and cost-effective ways to both prevent and reduce crime by addressing known risk factors in high-risk populations and places". To achieve the NCPS mission, the NCPC develops policies; gathers and disseminates knowledge to Canadian communities; and, in cooperation with the provinces and territories, manages funding programs that support community crime prevention projects through time-limited grants and contributions.

The ultimate goal of the NCPS is to reduce the propensity to offend among targeted at-risk groups of the population. To achieve this goal, the NCPS supports communities to implement and evaluate promising practices and model programs that have an impact on key-risk factors for offending. It also builds and shares practical knowledge of effective crime prevention practices with policy makers and practitioners.

The NCPS aggregated multiple funding programs which support innovative, model and promising crime prevention programs, the dissemination of knowledge, information and tools, as well as fostering crime prevention in high risk communities and for certain at-risk target populations. The NCPS strategy was refocused most recently in 2008 and approximately $43M in transfer payments were made under NCPS in fiscal year 2010-2011. The NCPS funding programs include a mixture of sunsetting and ongoing programs which and renewed at different times (most recently in March 2011 and the next renewal is in 2013). Approximately 140 recipient projects receive funding in a fiscal year (note projects are funded through multi-year agreements).

National, provincial, territorial municipal, Aboriginal community or professional organizations, societies and associations and not-for-profit organizations are the primary recipients for this program.

For the scope of this audit, the following NCPS funds were included:

- Crime Prevention Action Fund (CPAF) - This fund supports model and promising programs which address known risk factors and protective factors to reduce offending among at-risk children and youth, and high risk offenders in communities; as well as innovative programs to explore new interventions with at-risk populations.

- The International Centre for the Prevention of Crime (ICPC) - This fund was developed to disseminate knowledge, information and tools related to effective crime prevention practices. The International Centre for the Prevention of Crime was funded using a single, time-limited named grant, and ended March 31, 2011.

- The Northern and Aboriginal Crime Prevention Fund (NACPF) - In order to effect positive changes in risk and protective factors and foster crime prevention in Northern and Aboriginal communities, the NACPF supports the adaptation, development and implementation of innovative and promising culturally sensitive crime prevention practices which address known risk and protective factors to reduce offending among at-risk children and youth, and high risk offenders in communities.

- The Research and Knowledge Development Fund (RKDF) - This fund provides funding in three areas: research, knowledge transfer and demonstration projects accompanied by independent evaluations. The RKDF's objectives are to: identify promising community-based crime prevention models; determine the effectiveness and cost benefits of projects, which are the key components of successful programs and how they might be used in other communities; and promote high-quality, cost-effective and sustainable crime prevention projects. This fund expired on March 31, 2010.

- The Youth Gang Prevention Fund (YGPF) - This fund provides time-limited grants and contributions funding for initiatives in communities where youth gangs are an existing or emerging threat and supports initiatives that clearly target youth in gangs or at greatest risk of joining gangs.

2.1 Audit Objective

The objective of this audit was to provide senior management with assurance that the management control framework over this G&C program is appropriately designed and operating effectively.

2.2 Audit Scope

The scope of this audit covered the timeframe from April 1, 2009 to December 31, 2010, and included the following five NCPS funds:
- The Crime Prevention Action Fund (CPAF);
- The International Centre for the Prevention of Crime (ICPC);
- The Northern and Aboriginal Crime Prevention Fund (NACPF);
- The Research and Knowledge Development Fund (RKDF); and,
- The Youth Gang Prevention Fund (YGPF).

Formal audit criteria established the expectations for the audit and formed the framework for the specific audit tests. The audit criteria were based on the core management controls developed by the Office of the Comptroller General and applicable policies, legislation and regulations (see Appendix A for a complete list of audit criteria and Appendix B for applicable policies and legislation).

2.3   Approach

The principal audit techniques used included:
- Interviews with NCPC management and staff;
- Review of relevant program documentation and Treasury Board Secretariat (TBS) and departmental policies, guidelines and procedures;
- Evaluation of the system of internal controls, risk management and governance within the NCPS Program; and,
- Examination of a sample of applicant files to ensure funding decisions and payments were appropriate and were supported by adequate documentation.

For the purposes of the examination of applicant files, a sample of files was selected covering the period of audit scope of April 1, 2009 to December 31, 2010.   The sampling strategy considered the following factors: coverage of several fiscal years, different payment types and recipients, identified risks, and controls which had to be tested. A total of 25 applicant files were selected.

2.4   Findings, Recommendations and Management Response

Based on the evidence gathered through the conduct of this audit, each audit criterion was assessed by the audit team and a conclusion for each audit criterion was determined. Where a significant difference between the audit criterion and observed practices was found, the risk of the gap was evaluated and used to develop a conclusion for each audit criterion and to document recommendations for future improvement initiatives.

Throughout the audit fieldwork, the audit team observed several examples of how controls are properly designed and applied effectively. This resulted in several positive findings, examples of which are listed below:
- Staff are appropriately supported through procedural guides and manuals that have been developed as well as training materials to provide direction to staff in delivering and managing the Program;
- Budgeting and planning processes are established and the Program is proactive in tracking and reporting any changes in financial status;
- Adequate supporting documentation is retained to evidence project recommendations, approvals and to support decisions taken; and

- Applicants and recipients interviewed through the audit expressed satisfaction with the communication and application process and the assistance provided to them by the Program.

While management practices and processes were found to be generally controlled; the audit did identify the following moderate issues requiring management focus.

2.4.1 Efforts need to be continued to collect performance data and to report on overall Program performance in a timely manner

The audit expected to find that performance measures are established for the Program and that performance information is collected and periodically assessed by the Program to evaluate program performance and adjust activities as required.

The Program uses its evaluation function as a source of research, to drive continuous feedback, and to gain knowledge on what works for crime prevention. A total of $3M was allocated annually for the evaluation of individual projects (this amount was subsequently reduced to approximately $1.5M as a result of re-basing and strategic review in fiscal year 2010-11). Interviewees noted that a reduced budget has impacted Program management's ability to conduct as many evaluations as originally planned (20) and, in addition, due to delays experienced in commencing projects, Program management has only recently started to collect information for performance measurement purposes and to implement practices to measure expected results. As a result, the program was unable to provide an interim report on the Program's performance to Treasury Board Secretariat as required (i.e. an exemption from providing this report needed to be requested and received from the Treasury Board Secretariat in relation to the provision of the interim report). At the time of the audit, management intended to conduct 13 additional project impact evaluations; however these evaluations had not commenced, due to delays in starting projects and the evaluation contracting process. The Program intends for project impact evaluations to be completed by 2014, one year after the intervention has taken place in order to measure whether effects are sustained over time.

As per the ARAF, the Program committed to developing a lesson learned report annually; however, because recipient audits were completed later than planned, Program management did not have enough substantial information to support an annual report until recently. The audit team was informed that the Program is now in the process of compiling information from previous recipient audits into a useable "lessons learned" document.

Lastly, a recent evaluation of the NCPS Youth Gang Prevention Fund noted that Program management should continue its efforts to collect systematic performance information from funded recipients by ensuring implementation of consistent, periodic measurement through the use of standardized data collection and measurement tools where possible.

So while the Program has started to gather project data and a knowledge strategy has been developed to assist in this regard, it will be important that continued visibility and attention be paid to performance measurement to ensure success in this area. Without adequate collection of performance information, management will not be in a position to report on results, which is critical for the Program and given the current fiscal environment, along with increased attention being paid to results and performance, it is critical that NCPS be able to demonstrate its progress against established objectives and priorities for the Program. This is especially true for NCPS, given the evidence-based programs and crime prevention models being supported by this Program's funding.

Recommendation:

1) The Executive Director of NCPC should ensure that focused efforts are made to collect and report on Program performance, and that timely, formalized updates are provided to senior management on the status of the program's performance measurement initiatives.

Management Action Plan	Completion Date
NCPC is revising the Performance Measurement Strategy of the National Crime Prevention Strategy and is putting in place on-going mechanisms to assist with program performance reporting to senior management, the Department, Central Agencies and others, as required.	December 31, 2011 to March 31, 2012 and ongoing

2.4.2 Overall Program risks need to be formally reviewed to confirm continued relevance and to ensure appropriate mitigating activities are being conducted to reduce risk exposure

The audit expected to find that mechanisms are used by program management to systematically identify, assess and mitigate risks to the Program and within its key processes.

At the recipient and project level, the audit noted that Program Officers assess recipient/project risk as high/medium/low through a standardized form and approach. Program Officers were provided training on the risk assessment approach and the completion of recipient/project risk assessments. The output of the risk assessment is used to inform the Program's monitoring strategy for the project and recipient.

The audit noted that the overall risks to NCPS were identified and documented in the 2008 NCPS Accountability Risk & Audit Framework (ARAF); however, Program management does not formally conduct a periodic assessment of NCPS risks and review the effectiveness of mitigating measures used to manage risks identified in the ARAF. Without periodically updating an overall NCPS risk assessment, management may not be aware if risks identified in the ARAF are being adequately mitigated or if there are additional risks that should be considered by the Program.

Periodically reviewing and updating the Program's risk profile and exposures is an important governance and management oversight practice which should be undertaken. The results of the periodic risk assessments should be used by management to inform ongoing budget and resource allocation decisions by focusing resources and attention on areas of higher risk to the achievement of the Program's objectives.

Recommendation:

2) The Executive Director of NCPC should ensure that Program risks are reviewed periodically and appropriate mitigating actions are in place to reduce risk exposure to acceptable levels as determined by Program Management.

Management Action Plan	Completion Date
NCPC's Program ARAF is currently being revised by an internal Performance Measurement Working Group (PMWG). As part of this work, the members of the PMWG are revisiting the Program risks identified in the ARAF and assessing whether or not the identified strategies are still the best approach for mitigating the risks. The PMWG will develop recommendations for NCPC management on the indicators of risk and mitigation / reporting strategies.	March 31, 2012 and ongoing.

2.4.3 Approved terms of reference for Project Review Committees need to be put in place outlining authorities, accountabilities, expectations, roles and responsibilities

The audit expected to find that authorities, accountabilities, expectations and roles/responsibilities of partners in the delivery of the NCPS are clear and well communicated.

For NCPS, provincial and territorial governments are important partners in the delivery of the NCPS and play a key role in providing advice and subject matter experts in the assessment of a recipient's eligibility and capacity to perform. Historically, a Memorandum of Understanding (MOU) has been used by Program management to establish the basis for collaboration between the Program and the provincial/territorial government. According to the MOU, co-chairs may form, where appropriate, a Project Review Committee (PRC), in order to seek the advice of a broad range of stakeholders. The PRC Co-Chairs are responsible for establishing the rules and procedures to guide the PRC as well as establish guidelines for addressing any potential conflict of interest. The audit found that MOUs have not been renewed in all regions in recent years.

Having a clear and approved terms of reference document (whether in the form of a MOU or another format) that outlines authorities, accountabilities, expectations and roles/responsibilities is an important governance and accountability mechanism that should be in place to govern

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partnerships between the Program and provincial/territorial governments. Without an approved terms of reference document, there is increased potential for lack of clarity on accountabilities and expectations, including protocols regarding management of issues such as potential conflict of interest situations for PRC members in order to ensure an unbiased and objective assessment of applications for funding.

Recommendation:

3) The Executive Director of NCPC should ensure that approved terms of reference for Project Review Committees (which cover authorities, accountabilities, expectations and roles/responsibilities - including conflict of interest procedures) are in place as the basis for collaboration between the Program and provincial and territorial governments.

Management Action Plan	Completion Date
NCPC Regional Offices are in the process of producing Terms of Reference for Project Review Committees establishing the terms for mutual agreement by the representatives throughout the planning, development, assessment and recommendation phases of the project lifecycle. Terms of Reference will include wording related to conflict of interest and indicate that should the province or territory propose a project, they will not be involved in its review and recommendation. The NCPC regional staff will carry out the review, including consulting with any key stakeholders, and will make a final determination regarding its recommendation.	December 31, 2011

2.4.4 Service delivery standards need to be formally established and supported by an analysis of Program processes and timelines to identify potential opportunities to streamline activities and/or create efficiencies

The audit expected to find that service delivery standards were established and used in managing and delivering the NCPS Program.

Historically, the timelines for the NCPS project proposal development and approval process have been longer than desired by Program management, and one of the key risks identified in the NCPS Accountability, Risk and Audit Framework (ARAF) was not being able to process community funding requests in a timely manner.

The audit team found that service delivery standards have not been established at this time; however, Program management is currently participating on the departmental service delivery standard working group and intends to implement service delivery standards as they are finalized.

While the Program conducted a process mapping exercise in 2009 to identify key steps in the application development and internal review and approval processes, the audit found that subsequent analysis has not been conducted by the Program management to determine the average time taken for those key steps, nor to identify root-cause drivers that may be contributing to lengthy timelines. Through the conduct of this audit, based on the sample files reviewed, a high-level analysis was conducted of Program processes and timelines. This analysis found that the application development and internal review and approval processes (which take place prior to Ministerial approval) accounted for approximately 75% of the total time taken in the process. Based on interviews with Program personnel, these findings (while directional in nature and based on a small sample of files) differed from management's perception of the timelines. This reinforces the importance of the Program undertaking a fulsome review of its key activities and the timelines associated with the completion of those activities.

Without a clear analysis of the critical steps in the project development and approval process and the average times taken for each of those steps, it will be difficult to develop appropriate service delivery standards and adjust processes and procedures if required in order to meet those standards.   An analysis to help determine where the process could be streamlined or made more efficient could also assist management in reducing the potential risk of lapsing funds.

On a related matter, it was noted that it would be beneficial to reinforce required procedures for Program staff in relation to the recording of dates/timing for key steps in the project development and approval processes. If key dates are not clearly defined and consistently and accurately recorded, it will be difficult for the Program management to accurately track actual program performance against established service delivery standards.

Recommendation:

4) The Executive Director of NCPC, should:
   - in collaboration with the Grants and Contributions Reform Committee, formalize service delivery standards for the Program;
   - as part of the process to formalize service delivery standards, conduct an analysis of the time taken for key steps within the Program's project development and approval processes in order to identify potential opportunities to streamline the process and/or create efficiencies; and
   - in support of tracking the program's performance against service delivery standards, reinforce required procedures for Program staff to record dates/timing for key steps in the project development and approval processes.

Management Action Plan	Completion Date
Using a completed business process map for project development, review and approval, the NCPC will conduct an analysis to determine the root causes that may be causing the long timelines. The intent of this analysis is	March 31, 2012 and ongoing

also to identify areas where we can streamline and create more effective processes. The NCPC will set service delivery standards for processes within their control and domain. With the collaboration of the DG G&C Reform Committee, develop departmental service standards related to the Corporate review and approval processes to support NCPC program delivery. The NCPC will work with the DG G&C Reform Committee in relation to the implementation of PSIMS to ensure the application of service standards. The NCPC will update current GCIMS Process Manual and internal Programs directives to include specific procedures related to recording key steps in development, review and approval processes	

2.4.5 Expenditure initiation approvals for Grants and Contributions as well as procedures for evidencing authorization of financial commitments need to be clarified

The audit expected to find that the authority, responsibility and accountability related to expenditure initiation and commitment control are clear and well communicated to staff.

The audit found that the department's Delegation of Financial Signing Authority instrument does not provide a clear indication on how expenditure initiation approval for Grants and Contributions is delegated. Similarly, the audit found that it was not clear how expenditure initiation approvals are to be evidenced, in order to demonstrate that expenditures had been initiated by a person with the appropriate delegated authority.

The audit also noted that for the Program, final financial commitments are entered in the departmental financial system (i.e. SAP) centrally for the Branch by a Financial Officer in the Corporate Management Branch (CMB), instead of by the Program itself. As a result of this, based on interviews conducted, the audit team concluded that additional clarification would be beneficial with regards to what evidence is required to demonstrate that the Program has authorized these final financial commitments to be made in the departmental financial system.

Without clarity on expenditure initiation approval authorities, and without clear evidence being in place for commitment control, there is an increased risk of an over or unauthorized commitment of funds and that expenditures that are processed cannot demonstrate compliance with Public Safety and/or Treasury Board policies.

Recommendations:

5) The Comptroller, Corporate Management Branch (CMB) should ensure that expenditure initiation approval for departmental G&Cs is clearly defined within the department's Delegation of Financial Signing Authority document; and that clarification is provided to departmental staff on how to authorize and evidence expenditure initiation.

Management Action Plan	Completion Date
CMB has identified that the DFSA clearly indicates who authorizes Expenditure Initiation. This information is found in the columns under the heading, "Approve Proposal/Application and Substantive Amendments".	Completed
CMB has committed to ensuring that clarification is provided to departmental staff on how to authorize and evidence expenditure initiation.	December 31, 2011.

6) The Comptroller, Corporate Management Branch (CMB), in collaboration with the Executive Director of NCPC, should clarify roles, procedures and required evidence to demonstrate the NCPC authorization of financial commitments.

Management Action Plan	Completion Date
The PS G&C Directives Committee, chaired by representatives from the Grants and Contributions Support Unit (GCSU) and Financial Systems and Operations, will be undertaking the work in developing a common approach to providing evidence that demonstrates the appropriate control was exercised.	December 31, 2011.

Appendix A – Audit Criteria

The conclusions reached for each of the audit criteria used in the audit were developed according to the following definitions.

	Conclusion on Audit Criteria	Definition of Conclusion
1	Well Controlled	• well managed, no material weaknesses noted; and • effective.
2	Controlled	• well managed, but minor improvements are needed; and • effective.

3	Moderate Issues	• Moderate issues requiring management focus (at least one of the following two criteria need to be met):
		  o control weaknesses, but exposure is limited because likelihood of risk occurring is not high;
		  o control weaknesses, but exposure is limited because impact of the risk is not high.

4	Significant Improvements Required	• Requires significant improvements (at least one of the following three criteria need to be met):
		  o financial adjustments material to line item or area or to the department; or
		  o control deficiencies represent serious exposure; or
		  o major deficiencies in overall control structure.

The following are the audit criteria and examples of key evidence and/or observations noted which were analyzed and against which conclusions were drawn for this audit. The audit criteria were based on the core management controls developed by the Office of the Comptroller General and applicable policies, legislation and regulations, including the Financial Administration Act and the TB Policy on Transfer Payments. In cases where significant improvements (4) and/or moderate issues (3) were observed, these were reported in the audit report.

Audit Criteria	Conclusion on Audit Criteria	Observations
Organization structure, available capacity, and competencies are reviewed and match those required to deliver the Program.	Controlled	• Management routinely discusses human resource issues. • Staff are cross-trained. • Program has experienced turnover in key positions and some delays in staffing replacements.
Necessary training, systems, tools, service delivery standards, and information are	Moderate Issues	• Service delivery standards are still in development and analysis of process timelines is required. • Efforts underway to introduce monitoring

provided to deliver and manage the Program.		guides and checklists as well as financial monitoring training and mentoring.
Authority, responsibility, and accountability are clear and well communicated to staff.	Moderate Issues	• More formal mechanism (e.g. PRC terms of reference) are required to confirm the basis for collaboration with provincial/territorial governments, including procedures for addressing any potential conflicts of interest. • Clarification required for departmental delegation of financial signing authorities in relation to G&C expenditure initiation approvals and evidence.
Budgeting and planning processes are established.	Well Controlled	• Budgeting and planning processes are established and processes are in place to plan, establish, and track budgets and coordinate and manage multi-year funding.
Mechanisms are used to systematically identify, assess and mitigate risks to program and within key processes.	Moderate Issues	• No formal procedure in place to re-assess program risks and the effectiveness of mitigating measures used to manage risks identified in the ARAF.
An appropriate and clear method of public communication is used to inform the target audience and its effectiveness is periodically reassessed.	Well Controlled	• Clear method of public communication using email, mailing lists, training sessions, and web site postings is used to inform the target audience. • Assistance is provided to ensure communication is received and understood.
Application forms are readily available, easy to complete, and request all information needed to assess eligibility.	Controlled	• Applicant guidebooks, and application forms are accessible and the requested information from applicants is clear and complete. • Testing found minor areas for improvement (e.g. signed application declarations) which were identified for management.
Applications are completed with reasonable and equitable Public Safety assistance.	Well Controlled	• A relative comparison of sample files reviewed found that applications were completed with reasonable and equitable Public Safety assistance. • Recipients interviewed noted that assistance provided was beneficial.
All submitted applications are accurately recorded.	Controlled	• Dedicated staff responsible for GCIMS administrative support. • All sample projects were found to be recorded in GCIMS. • Access rights/profiles for GCIMS are not yet documented.

Recommendations (and rejections) include adequate rationale, demonstrate assessment of recipient's eligibility and capacity to perform, need for funding, and their financial viability.	Controlled	• Project Review Committee (PRC) used to review applications and recommend for approval, and eligibility assessment checklist tools are used to assess applicants against eligibility criteria.. • Areas for improvement in relation to documentation of pre-screening eligibility assessments and PRC sign offs of their assessment and recommendation of applications were noted for management.
Those with financial authority confirm that sufficient funds are available in the program budget and the funds are committed before forwarding recommendations for approval (Section 32).	Moderate Issues	• Planning database and financial tracking tools used to ensure sufficient funds are available in the budget before forwarding recommendations for approval. • Clarification is required regarding what evidence is required to demonstrate that program management has authorized commitments to be made on behalf of NCPC.
All funding recommendations are approved appropriately by the Minister.	Controlled	• All funding recommendations approved appropriately by the Minister. • Minor area for improvement noted for management in relation to clarification of timing and sequence of approvals.
All funding agreements are documented, authorized, and recorded accurately.	Well Controlled	• All sample funding agreements examined were documented, authorized, and recorded accurately.
Funding agreements are signed by approved authority prior to start of the period covered by agreements.	Well Controlled	• All sample funding agreements examined were signed by approved authority prior to start of the period covered by agreements.
Management of agreement and funding amendments is limited to authorized personnel, and any amendments are promptly approved and retained with the original agreement.	Controlled	• Minor exceptions noted in sample amendments reviewed with respect to missing dates and signatures.
Agreements are appropriately administered using a risk based approach to monitor performance.	Controlled	• Risk-based approach used to monitor project performance. • Continued implementation of payment verification checklist was recommended to management in order to improve consistency in how project monitoring is evidenced.

Approval of claims and request for payments are issued only following confirmation of compliance with performance conditions of agreements (FAA Section 34).	Controlled	• No issues were found in the review and approval of claims and requests for payment. • To ensure consistency, it was recommended that the use of the payment verification checklist should be a standard practice.
All payments requests are processed accurately (only included process elements which were the responsibility of the NCPC).	Well Controlled	• Payment verification checklist is used, followed by central processing of payment information. • Financial reports using data extracted from SAP are used by management to monitor the transfer payments and O&M budget information in the G&C database.
Information is collected and ongoing activities are taking place to periodically re-assess the program design and adjust as required.	Moderate Issues	• Management has only recently started to gather performance information. • Lessons learned report is still in development.
Expected metrics / results / delivery standards are measured and variances investigated.	Moderate Issues	• Currently implementing practices to develop service delivery standards and to measure results.
Reports on performance are accurate and shared with appropriate stakeholders on a timely basis.	Moderate Issues	• Several types of reports are used to report on operational performance (quarterly report, financial reports, etc). • Reporting on Program performance / outcomes is still a work-in-progress.

Appendix B – List of Applicable Policies and Legislation

In developing audit criteria for this audit the following polices and legislation were reviewed.

- Financial Administration Act (FAA) – Sections 32 and 34
- Treasury Board Policy on Transfer Payments
- Treasury Board Directive on Transfer Payments
- Office of the Comptroller General – Core Management Controls
- Treasury Board Secretariat Management Accountability Framework