Patrimoine canadien | Canadian Heritage

Canada

Micro Audit of Canada Periodical Fund Business Innovation and Collective Initiatives components

Deck Report

April 2025

Office of the Chief Audit Executive

This publication is available upon request in alternative formats.

This publication is available on the Open Governmenta Portal at:
https://www.canada.ca/canadian-heritage

Catalogue Number: CH6-69/2025E-PDF
ISBN: 978-0-660-78147-1

Table of Contents

1. Overview

Context

- The Canada Periodical Fund (CPF) supports the activities of Canadian magazine and community newspaper publishers and organizations. Two of the Fund components are project based:
  1. The Business Innovation (BI) component ($2.5 million annually) supports Canadian print and digital magazine publishers for business development and innovation projects. The BI fund will be discontinued as of March 2026. No new projects will be approved after March 2025.
  2. The Collective Initiatives (CI) component ($2 million annually) supports Canadian magazine and community newspaper organizations for industry-wide projects to increase industry sustainability. The CI funding is ongoing. Starting in 2026, a portion of the new funding for Changing Narratives Fund will be administered under the CI component.

- Grant letters are used to fund low-risk recipients for projects under $50,000. Contribution agreements are used for projects over $50,000 or where a greater level of oversight is needed based on a risk assessment using the departmental Project Risk Assessment and Management (PRAM) tool.

- Each component has an annual intake process with an application deadline in the summer. Projects can be multi-year. For each intake, commitments under existing multi-year agreements are considered in determining the funds available to support new projects under each component.

1. Overview

About the engagement

Project Authority

The authority for this engagement was derived from the 2024-2025 Risk Based Audit Plan (RBAP), which was recommended by the Departmental Audit Committee and approved by the Deputy Minister.

Audit Objective

The objective of this audit assessed whether controls related to BI and CI are adequately designed and operating as intended to support the integrity, accountability, transparency and effective control in the management of transfer payments components of the Canada Periodical Fund.

Audit Scope

The audit assessed the selection of projects and administration of grants and contribution under the BI and CI components of the CPF. The audit covered the period April 1, 2024, to present (see Appendix B).

2. Findings and Recommendations

Criteria 1: Alignment with Program Objectives

Processes are in place and functioning as intended to ensure selected proposals have a strong alignment with the Program Objectives.

- The program objectives for the Canada Periodical Fund and for each of the Business Innovation and the Collective Initiatives components are clearly stated in the respective application guides and application forms.

- Program officers evaluate both how the applicants responded to the specific question on program objectives and the application to confirm that the project will meet the objective of the Canada Periodical Fund and one or more of the objectives of the component. Program officers record their assessment in checklists in the GCLinks workbook and in text in the Review Committee document.

- Meeting the objective of the Canada Periodical Fund and one or more of the objectives of the component was a requirement for consideration by the Review Committee. Applications with strong alignment on one or more objectives are more likely to be funded than applications with weak alignment or weak alignment with multiple objectives. The Review Committee judgement on the strength of alignment is not recorded in writing.

- For BI, most successful applicants received approximately 55% of the budget for their original application. In follow up by the program officer, recipients were asked to confirm how this would impact the planned activities.

Recommendation:

- None required

2. Findings and Recommendations

Criteria 2: Efficient use of IT Systems

Processes and controls are in place to support the efficient use of IT systems (within the current PCH environment) in documentation of relevant information, analysis of applications and decision making on funding.

Systems used in G&C Management:

- Applicants submit their proposals using the Canadian Heritage Funding Portal (**the Portal**) entering financial and non-financial information uploading required documents. Portal is programmed to close off applications at submission deadline time). Using the Client Relationship Management (**CRM**), program advisors extract the information entered in the Portal including applicant profile, application and attachments.
- Program advisors use **GCIMS** to the greatest extent possible, with its workflow controls for application review to ensure review steps and approvals are completed. It is used to look up past applications, projects and staff evaluations for risk assessment. GCIMS tracks dates for service standards and generates the Review and Approval Form (**RAF**) for senior level approval of projects.
- **GCLinks,** embedded and adds functionality to GCMIS, provides program advisors a customized workbook developed for each program intake that is used to document the application review through checkboxes, text boxes, scoring calculations, and financial tables. The Project Risk Assessment Management Tool (**PRAM**) is used to review and rate external environmental risk, project risk, and applicant risk including financial viability assessments where necessary. Options for mitigation of moderate or high risk can be selected based on the nature of the risk.

2. Findings and Recommendations

Criteria 2: Efficient use of IT Systems (cont'd)

Documents and processes outside of IT systems:

- Committee Review document. One pager in Word used to summarize key aspects of the project. Purposely written considering what will be needed for RAF, funding agreement and other documents.
- Excel sheets used to summarize list of successful applications and communications with applicants including grant letters, information and documents provided by applicants.
- Contribution agreements – using overall template developed by Centre of Expertise, The Program (including the components) developed a program specific template and then manually customized for each funding agreement.

Financial tables

- Using excel tables extract from CRM, Program Officers add notes and calculations to document their work to identify ineligible budget items, limits on in-kind and internal salaries, CPF funding as a percentage of total eligible expenses, and maximum funding to a project.
- The work to manually enter expense budget details in GCLinks and then again in tables in the funding agreement and draft final financial report is time consuming and prone to errors.

Funding agreements

- Each funding agreement is manually developed and must be heavily reviewed to avoid errors such as clauses or information either included or missing, and errors in transcribing details.

2. Findings and Recommendations

Criteria 2 : Efficient use of IT Systems (cont'd)

Scope Inclusion (Review of Gs&Cs Application Processes):
Program officers rely on existing IT systems to carry out thorough and consistent application reviews. However, the manual transfer of information between systems remains a time-consuming and error-prone task. This challenge is being reviewed as part of horizontal review of Department’s G’s and C’s Application Assessment Processes (project currently underway by OCAE).

Recommendation:
- None required

Criteria 3: Risk-based Monitoring

Processes and controls are in place to support risk-based monitoring of compliance with funding agreements and administration of financial resources.

- Each Application is risk assessed using the Triage tab in GCIMS and PRAM form in GCLinks. Information on previous PCH funding stored in GCIMS is reviewed to confirm the applicant complied with any reporting and project completion requirements. If any risk areas are identified, corresponding risk mitigation actions are selected in the PRAM. Assessment as a moderate or high risk will not impact on the potential selection of an otherwise strong proposal. The higher risk will be reflected in mitigation measures.

- Staff will often follow up more frequently with new recipients or higher risk recipients.

2. Findings and Recommendations

Criteria 3: Risk-based Monitoring (Cont'd)

- Projects that were funded under the BI program were on average approved for approximately 55% of their proposed budget. Program officers discussed with recipients how this would affect the activities that could be undertaken but the results of this discussion were not always documented.

- The general application form includes an applicant attestation, and the application guidelines include provisions for the audits of recipients and evaluation of the Program.

Best Practices noted in the Department:

- Best practices noted in the Department that some programs requires a separate attestation form to be signed when issuing a grant letter. This approach enhances clarity and reinforces accountability in the grant process.

Recommendation:

- None required

2. Findings and Recommendations

Criteria 4: Information to Senior Management

Processes are in place and functioning as intended to convey program information to senior management.

- Updates on CI and BI based on progress against critical path were provided regularly through bilats and briefings with Director General (DG), then Assistant Deputy-Minister (ADM) and then to the Minister's office.
- Financial status of the programs is reviewed regularly with Resources Management Directorate.
- The ADM and DG overseeing CPF are knowledgeable of G&C and the program and asked useful questions in challenge of final project selection.
- Presentation decks to summarize the intake process for each of BI and CI including how decisions were made, geographical distribution of projects, successful applicants vs total number of applicants were presented to the DG, ADM and the Minister's office.
- Achievement against service standards for applications are tracked based on information extracted from GCIMS.

Recommendation:

- None required

3. Overall Conclusion

The audit findings indicate that processes and controls are effectively in place to support programs (and/or component's) functions. These include the selection of projects that align with the overarching objectives of the program/components, ensuring that only those initiatives that contribute to the program's goals are approved. The project selection was noted to be carried out collaboratively (the Review Committee), with no indication of undue influence by an individual or program officer. Additionally, departmental systems for G&Cs are being utilized appropriately, further strengthening the integrity and efficiency of operations.

Furthermore, a risk-based monitoring framework has been implemented, allowing for the systematic evaluation of projects based on their risk profiles. This ensures that appropriate mitigations are in place for high-risk projects while lower-risk projects are monitored proportionately, optimizing resource allocation. Finally, these processes facilitate timely and accurate reporting to senior management, providing them with the necessary insights to make informed decisions and maintain accountability.

4. Statement of Conformance

In my professional judgment as Chief Audit Executive, this audit was conducted in conformance with the Institute of Internal Auditors' *Global Internal Audit Standards* and with the *Policy* and *Directive on Internal Audit* of the Government of Canada, as supported by the results of the quality assurance and improvement program. Sufficient and appropriate audit procedures were conducted, and evidence gathered, to support the accuracy of the findings and conclusion in this report. The findings and conclusion are based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria that were agreed with management and are only applicable to the entity examined and for the scope and time period covered by the audit.

Original signed by

Raffaella Bertorelli
Chief Audit Executive
Department of Canadian Heritage

Audit Team Members
Dylan Edgar, Director of Internal Audit
Trisha Laul, Senior Auditor

With the support of external resources

4. Appendix A — Assessment Scale and Results Summary

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

Conclusion	Definition
Well Controlled	Well managed, no material weaknesses noted; and effective.
Controlled	Well managed and effective. Minor improvements are needed.
Moderate Issues	Requires management focus (at least one of the following criteria are met): • Control weaknesses, but exposure is limited because likelihood of risk occurring is not high. • Control weaknesses, but exposure is limited because impact of the risk is not high.
Significant Improvements Required	Requires immediate management focus (at least one of the following three criteria are met): • Financial adjustments material to line item or area or to the Department. • Control deficiencies represent serious exposure. • Major deficiencies in overall control structure.

Audit Criteria	Results Summary
1. Processes are in place and functioning as intended to ensure selected proposals have a strong alignment with the Program objectives.	Controlled
2. Processes and controls are in place to support the efficient use of IT systems in documentation of relevant information, analysis of applications and decision making on funding.	Controlled
3. Processes and controls are in place to support risk-based monitoring of compliance with funding agreements and administration of financial resources.	Controlled
4. Processes are in place and functioning as intended to convey program information to senior management.	Well Controlled

Appendix B: Application Breakdown

- **BI component:** Of the 121 applications received in Summer 2024 in the final intake of the BI component, 67 were recommended for funding for projects to be completed by March 2025. twenty-six (55) were grants of under $50k and the remaining twelve (12) projects were funded using contribution agreements. Generally, successful BI applicants were approved for 55% of the budget they had requested. The detailed review of all applications was a considerable task for the small team, all of whom were new to CPF and several of whom were new to grants and contribution programming.

- **CI component:** Of the twenty-six (26) applications received in Summer 2024 for the CI component, eighteen (18) were recommended for funding. Six (6) grants of under $50k and twelve (12) were contributions between $55K and $810K. Most CI projects are over two years, with some over three years. Generally, successful CI applicants were approved for the budget they had requested.