

CORRECTIONAL SERVICE CANADA

CHANGING LIVES. PROTECTING CANADIANS.



Audit of the National Infrastructure Contribution Program

INTERNAL AUDIT SECTOR

JUNE 9, 2021

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EXECUTIVE SUMMARY

What We Examined

The National Infrastructure Contribution Program (NICP) is used by Correctional Service Canada (CSC) to provide other levels of government and non-profit organisations with funds to make capital improvements that support CSC operations. The NICP is used where CSC cannot otherwise make the needed improvements in a reasonable and cost-effective manner or through existing mechanisms. The NICP falls within the responsibilities of the Assistant Commissioner, Corporate Services Sector. The Director General, Technical Services and Facilities (TSF) and their staff administer the NICP at the National level. This audit was conducted as part of CSC's Internal Audit Sector's 2019-2022 Risk-Based Audit Plan (RBAP).

The objectives of this audit were to provide assurance that:

- A management framework is in place and supports the effective and efficient management of the NICP; and
- CSC is compliant with Treasury Board's (TB) approval of the NICP and the TB *Policy on Transfer Payments*.

For the first objective, we reviewed the guidance material, roles and responsibilities, and monitoring and reporting activities for the NICP. In terms of the second objective, we reviewed whether recipients met the eligibility requirements for the NICP, the investment planning process was followed, whether payments made were appropriate and the accuracy of financial reporting related to the NICP.

The audit was national in scope and covered both the 2018-19 and 2019-20 fiscal years. Projects funded through the NICP in each region were assessed for compliance to conditions specified in the TB Submission and policy. We reviewed NICP projects that were approved, recommended, or that received contribution payments during the 2018-19 and 2019-20 fiscal years.

Why it's Important

CSC relies on partners from other levels of government and non-profit organizations in order to carry out key portions of our mandate. Contribution payments are an important tool used to fund infrastructure and facilities projects of value to CSC when other payment mechanisms cannot be used in a reasonable or cost-effective manner. A robust management framework is needed to ensure that contribution funds are being used appropriately and can withstand public scrutiny.

What We Found

With respect to the first objective, we found that the management framework in place for the NICP requires improvement. Roles and responsibilities should be clarified and guidance documentation should be created to assist staff responsible for managing the program.

For the second objective, we found that the terms and conditions approved by TB were generally followed. However, due to the change in the utilization in 2018-19 of the NICP from funding large infrastructure projects to multiple small projects with not for profit organizations, CSC is not fully compliant with several elements of the terms and conditions. Some project expenditures should not have been considered eligible under the NICP. Additionally, we were unable to find evidence documenting that all elements of the investment planning process were followed.

Management Response

(Clearly indicate who the OPI is for the audit is before “Management Response Part”)

Management agrees with the audit findings and recommendations as presented in the audit report.

Management has prepared a detailed Management Action Plan to address the issues raised in the audit and Associated recommendations. The Management Action Plan is scheduled for full implementation by March 31st, 2022.

ACRONYMS & ABBREVIATIONS

ADDMS:	Associate District Director, Management Services
CFO:	Chief Financial Officer
CRF:	Community Residential Facilities
CSC:	Correctional Service Canada
EXCOM:	CSC's Executive Committee
IFMMS:	Integrated Financial and Material Management System
NICP:	National Infrastructure Contribution Program
NIPC:	National Investment Prioritization Committee
NHQ:	National Headquarters
RBAP:	Risk-Based Audit Plan
RHQ:	Regional Headquarters
TB:	Treasury Board
TSF:	Technical Services and Facilities

1.0 INTRODUCTION

1.1 Background

The Audit of the National Infrastructure Contribution Program was conducted as part of Correctional Service Canada’s 2019–2022 RBAP. The audit links to the following CSC’s corporate priorities: “Efficient and effective management practices that reflect values-based leadership in a changing environment” and “Productive relationships with diverse partners, stakeholders, victims’ groups, and others involved in support of public safety”. It also links to the following corporate risk that “CSC will lose support of partners delivering critical services and providing resources for offenders”.

The National Infrastructure Contribution Program funds other levels of government and/or non-profit organizations to make capital improvements to support CSC’s operations where CSC cannot otherwise make the needed improvements in a reasonable and cost-effective manner or through existing mechanisms. CSC is permitted to fund the program by transferring up to 4.7 million dollars from its operating allotment to its grants and contributions allotment each year. This funding structure allows CSC to maintain greater flexibility with its operating allotment.

The NICP was originally approved by TB in June 2013 until March 31, 2016. CSC sought and received approval from the TB to extend the program beginning in fiscal 2016-17 on an ongoing basis. At that time, the NICP was focused on two major projects: the construction of a roadway and a pipeline. These projects spanned multiple years, cost millions of dollars, and followed a robust investment planning methodology. This methodology involved project identification, options analysis including multiple internal assessments with CSC’s Legal Services, Contracting and Material Management, Financial Services, and Technical Services and Facilities. The methodology also included an approval framework that included the National Investment Prioritization Committee (NIPC), Chief Financial Officer (CFO), and CSC’s Senior Management Committee (EXCOM).

The NICP underwent a shift in the 2018-19 fiscal year. Until that point, it had consisted of the large projects identified in the TB submission and had been fully managed at the National Headquarters (NHQ) level. With those initial projects largely completed, CSC shifted to a new model for the NICP. This new model would be directed primarily at the Regional Headquarters (RHQ) level to allow for greater flexibility in addressing the smaller scale needs of CSC’s partners which consists primarily of the Community Residential Facilities (CRF) which are facilities owned by non-governmental agencies.

Regional staff would canvass partners for projects and opportunities to leverage NICP funding and then submit proposals to NHQ for approval. In 2018-19, the NICP provided funding to over forty smaller scale projects at the regional level.

CSC relies on partners from other levels of government and non-profit organizations in order to carry out key portions of our mandate. These relationships must be carefully managed in order to ensure continued productive relations. The NICP is a key tool that allows for contribution payments to be made to fund specific projects of value to CSC when other payment mechanisms cannot be used in a reasonable or cost-effective manner.

CSC must also follow TB policy direction, including the TB Policy on Transfer Payments, while managing the NICP. CSC has the responsibility to ensure that cost-effective oversight, internal control, performance measurement, and reporting systems are in place to manage the payment of contribution funds to partners. These contribution payments should be used appropriately to help fulfill our mandate and provide value for Canada.

1.2 Legislative and Policy Framework

The following legislation and TB policies provide the overall framework in place for the NICP.

Legislation

The *Corrections and Conditions Release Act*, Section 6, Paragraph 1 provides the legislative authority for CSC to undertake the NICP. CSC must also adhere to the *Financial Administration Act* in prudently managing its financial resources.

Treasury Board Policies, Directives, and Approved Terms and Conditions

The TB *Policy on Transfer Payments*, along with the supporting Directive and Guidelines, are the primary policy tools governing contribution programs.

The Terms and Conditions for the Correctional Service of Canada's National Infrastructure Contribution Program (Terms and Conditions), as approved by the TB, provides the authority for CSC to undertake the NICP. It outlines the background, rationale, design, delivery, implementation, expected outcomes, risks, risk responses, cost, funding requirements, source of funds, and costing due diligence and validation of the NICP.

CSC Policy Instruments

No CSC directives or procedures currently exist specifically for the management of the NICP.

CSC has financial directives in place that assign authorities and procedures based on broader government policy and direct staff on how to apply these policies. The relevant financial directives for the NICP include:

- FD 350 — Contracting and Material Management
- FD 350-3 — Contracting
- FOps-DIR-2019-340 — Expenditure Initiation and Commitment Control
- FOps-DIR-2019-325 — Account Verification

1.3 CSC Organization

National Headquarters (NHQ)

The NICP falls under the purview of the Assistant Commissioner, Corporate Services Sector. The Technical Services and Facilities branch is the overall policy centre for the program and plays a central role in the management and oversight of the NICP. TSF created a working group for the NICP with representatives from each region to discuss policy issues and provide guidance and support for the administration of the program.

Regional Headquarters (RHQ)

Each region is responsible for managing the program and specific projects in their areas; this includes soliciting applications for NICP funding, recommending projects for approval, and managing approved projects. Regional responsibility is generally delegated to the District Directors with support from the Chief of Finance. Representatives from each region typically District Director, Associate District Director, Management Services (ADDMS), and Chief of Finance participate in the TSF working group. Regional representatives are responsible for managing the particular projects in their own regions.

Review and Approval Process

NICP projects are subject to the following review and approval process:

- Regions recommend possible NICP projects after soliciting proposals from partner organizations;
- TSF reviews proposals through their National Investment Prioritization Committee which is chaired by the Director General, TSF;
- EXCOM reviews NICP projects approved by the NIPC as part of the capital funding process; and
- Final approval is made by either the Commissioner (projects over \$200,000) or the respective Regional Deputy Commissioner (projects under \$200,000).

1.4 Risk Assessment

The Audit of the National Infrastructure Contribution Program was identified as a moderate audit priority and an area of risk to CSC in the 2019–2022 Risk-Based Audit Plan. The audit team completed an engagement-level risk assessment using the results of interviews and policy research to determine what areas of the NICP the audit should cover. Overall, the assessment identified key risks associated with the management framework in place to support the NICP as well as with compliance with TB policies and the TB approval for the NICP. These risks were incorporated into this audit to assess whether sufficient mitigation strategies were in place.

2.0 OBJECTIVES AND SCOPE

2.1 Audit Objectives

The objectives of this audit were to provide assurance that:

- A management framework is in place and supports the effective and efficient management of the National Infrastructure Contribution Program; and
- CSC is compliant with Treasury Board's approval of the NICP and the TB *Policy on Transfer Payments*.

Specific criteria are included in Annex A.

2.2 Audit Scope

The audit was national in scope. In order to evaluate the management framework in place, we interviewed staff from NHQ and regions (selected on the basis of number and value of NICP projects). These interviews focused on:

- Training, documentation, guidance, and directives in place to support the NICP;
- Methodology used for selection and management of NICP projects; and
- Monitoring and reporting activities.

We also examined whether approved projects conformed to the terms and conditions approved by the TB. This included reviewing:

- How CSC assessed the eligibility of the project, expenditure, and recipient;
- If projects were properly reviewed and approved by management and the investment planning process; and
- Whether payments were made appropriately, were supported by documentation and evidence of completion, and were recorded and reported in CSC's Integrated Financial and Material Management System (IFMMS).

We reviewed a sample of 13 NICP projects, 10 from the 2018-19 and 3 from the 2019-20 fiscal years. There were 49 regionally led projects approved in 2018-19, 37 at the time of the audit in 2019-20, and one active NHQ led project. The sample was selected to ensure that at least one project from each region was selected, a reasonable number of larger projects were selected (threshold of \$100,000 budget), and that a sufficient number of projects judged to potentially be at a higher level of risk were included. Appendix C provides a list of the projects selected for review and the reasons that each project was selected. We conducted this work through document reviews as site visits were determined to be unnecessary.

3.0 AUDIT FINDINGS AND RECOMMENDATIONS

3.1 Management Framework

The first objective of this audit was to determine whether a management framework was in place to support the effective and efficient management of the NICP. We examined the framework through four perspectives: CSC's guidance, roles and responsibilities, monitoring and reporting, and implementation of corrective measures.

The following sections highlight areas where expectations were met and those where management attention is required.

The overall assessment of all audit criteria is outlined in **Annex A**.

3.1.1 Policy Suite

The audit expected to find that appropriate policies, directives, guidelines, and manuals supported the management of the NICP.

The audit team assessed this criterion as being not met. We found that there were significant gaps in the supporting policies, directives, guidelines, or manuals for the management of the NICP. These gaps are discussed below.

Policy documentation is limited

There are no Commissioner's Directives or other internal CSC policy documents specific to the NICP available. Financial Directive 350-3 — Contracting briefly discusses contracting as it relates to grants and contributions but does not provide guidance on the management of a grant and contribution program. Staff responsible for managing the NICP have only the information provided in the TB policy suite.

This creates a gap where staff lack specific policy guidance tailored to the correctional environment that CSC operates within. TB policy sets minimum standards by which departments must abide. Departmental level context would help reinforce these requirements and increase staff confidence that they are managing the NICP consistently in accordance with policy requirements and CSC's mission and values.

No training materials or manuals exist to support staff

We found that there were no user training manuals or guidance documentation for the NICP. The change to the regionally led model has resulted in the involvement of many staff members across Canada in the NICP. Regional staff that we interviewed frequently expressed that they did not have adequate material in place to guide them in the management of the program and that training related to the NICP was not provided or was very limited.

Lack of guidance materials and manuals can lead to poor or inconsistent management of the NICP. There are specific management considerations set forth by the TB submission for the NICP in addition to general considerations for grants and contribution programs; staff may not

be well versed with programs of this nature and need assistance in managing it. This guidance documentation can help avoid errors and mistakes and ensure that the program is being managed in accordance with policy. Furthermore, guidance materials and manuals can help avoid inconsistent approaches and interpretations being applied by the regional offices.

3.1.2 Roles and Responsibilities

The audit expected to find that roles and responsibilities were clearly defined, understood and documented.

The audit team assessed this criterion as being not met. We found that there were significant gaps in the understanding of roles and responsibilities for the NICP. These gaps are discussed below.

Lack of documentation and understanding of roles and responsibilities

We found that there was no documentation of roles and responsibilities and that staff involved in the program did not fully understand their roles. There were significant differences between the expectations of TSF and those of regional offices with regards to the level of accountability, authority, and responsibility for projects that lay with the regional offices. This contributed to the issues with monitoring and reporting identified in section 3.1.3. There were also significant variations in management practices and levels of understanding of the program between regions. These differences can lead to poor management or inconsistent applications of the NICP across Canada.

Poor management of the NICP can result when the responsibility for performing a key activity is ambiguous and accountability is lacking. During our interviews with staff responsible for the program, we were told repeatedly that they lacked basic information concerning the program.

This lack of information included:

- How the program was intended to be used;
- How to reach out to potential program partners;
- Who was responsible for evaluating projects; and
- What evidence needed to be collected to confirm requirements for payment had been met.

This resulted in some areas, notably Quebec region, having had the majority of NICP projects in 2018-19 as they have been more active in canvassing partners for possible projects. This could lead to possible perceptions of bias, favoritism, or lack of procedural fairness from other possible program partners. Additionally, it raises the question of whether NICP funds were dispersed in the most efficient manner for CSC as a whole.

We did note that TSF was aware that Quebec region had received the bulk of the funding in 2018-19 and had taken action to encourage greater participation from other regions in subsequent years. **Annex C** provides a breakdown of NICP projects by region for 2018-19 and 2019-20.

Another result of the lack of information discussed above was that key activities, such as project evaluation and confirming that projects were complete and payment could be made, were not always performed. Additionally, when these activities were performed, there was no consistency in how the activity was performed from region to region.

3.1.3 Monitoring and Reporting Processes

The audit expected to find that a monitoring and reporting process was in place for the NICP. Overall, the audit team assessed this criterion as being partially met.

We found that the following areas met the audit expectations for this criterion:

- TSF monitors that contribution agreements are signed and that the wording of these agreements is consistent with the TB submissions' terms and conditions; and
- TSF conducts monitoring and reporting of some financial elements of projects (monitoring of budgets, forecasts and expenditures, performance of variance analysis, and estimation of carry-overs). Regional staff collect and submit this information.

We found that there were two areas that require further consideration by management.

Monitoring was limited to the basic financial information described above and there was no performance measurement strategy in place.

A strong monitoring regime and performance measurement strategy for the NICP would help CSC determine:

- If projects are meeting their stated intent;
- To what extent these projects are contributing to the achievement of organizational priorities;
- Which types of projects generally have the most effective impact;
- How to allocate scarce resources in the future; and
- How management is carrying out their responsibility for effective stewardship of public funds.

No Formal Review or Assurance of Completion

We also found that no formal review or assurance process exists to certify that projects were completed in accordance with the contribution agreement before payment is released. Without a formal review or assurance process that certifies that projects were completed in accordance with the contribution agreement, CSC risks making inappropriate payments for work that is not complete or to appropriate standards.

We noted that some regions do conduct assurance or certification activities on an ad hoc basis such as having an employee view the work on a visit to a CRF or requesting pictures of the completed work. A formal program of this nature would help ensure that CSC has reasonable confidence in the work having been performed.

3.1.4 Corrective Action for NICP Projects

The audit expected to find that action was being taken to identify issues and that corrective measures were taken as appropriate during the management process for each NICP project.

We did not evaluate whether action was being taken to identify issues and implement corrective measures. The gaps identified in the guidance documentation, roles and responsibilities, and monitoring and reporting processes are sufficient to render any such evaluation to be of little to no value. This evaluation should be conducted in the future once the NICP has reached a more mature state.

3.1.5 Gap Analysis

At the time of the audit of the NICP, TSF was already aware of potential issues with the program and was engaged in an internal gap analysis exercise to identify issues and possible solutions. TSF shared a draft copy of their analysis with the audit team and the preliminary analysis identified similar issues highlighted in this report. We did not review the final analysis since this exercise was not completed during the course of the audit but wanted to acknowledge the proactive approach being taken by management towards these issues.

Conclusion

The change in focus of the NICP from a few projects of significant cost managed by NHQ to many low-cost projects managed by the regions has caused a need to revisit the roles, responsibilities, and guidance in place around the NICP. Roles and responsibilities need to be clearly established and documented to ensure good stewardship and governance of the program. Reference material should also be created to support these objectives and enable consistent management of the NICP across CSC.

The monitoring activities related to financial activities are good but could benefit from being expanded into a more robust program. Formal review and assurance of project completion should be implemented. A full performance measurement strategy would help enable better management of the NICP.

Recommendation 1

The Assistant Commissioner, Corporate Services should strengthen the management framework by reviewing, clarifying and documenting the roles and responsibilities for the management of the NICP to ensure its successful and consistent delivery. This should include the development of reference documents on the:

- Responsibilities of all staff involved in the management of the NICP; and
- Desk procedures to support key activities (including soliciting potential projects, assessing projects and recipients for eligibility, preparing documentation for CSC's review and approval process, monitoring work completion and issuing payment, etc.).

Management Response

We agree with this recommendation. The ACCS will strengthen the Management Framework of the NICP through reviewing and updating the Terms and Conditions and associated documents used by the program. Please see the actions and their associated deliverables below.

Recommendation 2

The Assistant Commissioner, Corporate Services should ensure that there is a performance measurement strategy in place for the NICP to systematically collect and report on all key elements and assess the program's effectiveness and results.

Management Response

We agree with this recommendation. The ACCS will strengthen the Management Framework of the NICP by creating updating the Financial and Performance Reporting section of the T&C and creating Project Evaluation Guidelines. Please see the actions and their associated deliverables below.

3.2 Compliance with Treasury Board Approval and Policies

The second objective for this audit was to provide assurance that CSC is compliant with Treasury Board's approval of the NICP and the TB *Policy on Transfer Payments*. Compliance was assessed through various perspectives: eligibility requirements, the investment planning process, appropriateness of payments, and accurate financial reporting.

The following sections highlight areas where expectations were met and those where management attention is required.

The overall assessment of all audit criteria is outlined in **Annex A**.

3.2.1 Project and Expenditure Eligibility

The audit expected to find that projects, recipients, and expenditures met the eligibility requirements as per the Terms and Conditions in the TB submission.

The audit assessed this criterion as being partially met. The findings are discussed below.

We found that all recipients were eligible other level of government or not-for-profit organizations as per the Terms and Conditions. As described below, we found that certain types of projects and expenditures may not fully comply with the eligibility requirements and warrant further consideration by management.

Project and Expenditure Eligibility

The NIPC was presented as a tool for CSC to make contribution payments to partner organizations when other types of funding were not effective or appropriate and where the project is directly aligned to CSC's mandate. The projects presented in the TB submission were higher dollar value capital expenditures subject to significant investment planning and options analysis before approval. As of 2018-19 the projects funded through the NIPC are significantly different in cost and scope. This creates a concern that the TB may not agree with CSC's interpretation of the authorities and could potentially revoke, reduce, or add conditions to the granted authorities.

Some of the projects that have been approved and funded through the NIPC starting in 2018-19 include items that should not be considered eligible for the program. These include expenditures such as improvements to CRF facilities (administrative offices and equipment that are primarily of use to CRF staff). These expenditures do not address the needs of offenders and are of questionable value to CSC. Furthermore, CSC pays CRFs per diem rates for offenders housed on our behalf. This charge should include routine maintenance and repair costs and any further payments through the NIPC would likely violate the "stacking" clause in the NIPC terms and conditions (total funding from all government sources may not exceed 100% of the cost of a project/expenditure).

Of the 49 regionally led projects in 2018-19:

- 7 involved expanding the CRF's ability to provide services to CSC by expanding the number of beds available or providing accessibility for individuals with reduced mobility in regions where no other facilities existed that could provide these services;
- 4 involved adding or renovating security systems likely necessary to provide service to CSC;
- 7 involved adding new services/capabilities to improve services to offenders; and
- 34 involved routine maintenance or repairs for facilities.

Note that some projects involved more than one type of work. Not all projects from 2019-20 received final approval at the time of audit and so have not been included here.

3.2.2 Investment Planning Framework

The audit expected to find that the investment planning framework indicated in the TB submission was being followed.

The audit assessed this criterion as being partially met. The findings are discussed below.

The investment planning framework involves the investment planning process whereby CSC engages in direction setting for the process, identifies investment requirements, prioritizes investments, allocates budget, and executes on investment projects including monitoring and performance.

The framework also includes CSC's investment planning governance structure which consists of the NIPC who plays a challenge function for proposed investments, the Chief Financial Officer who is responsible for making recommendations on budget allocation, and EXCOM setting overall strategy and approving resource allocations.

The investment planning framework is also supported by internal CSC processes for the approval of contracts and contribution agreements, including reviews by legal services and by either the regional or national contract review boards depending on whether a contract exceeds a threshold of \$200,000.

We were unable to conclude that CSC was fully compliant with the investment planning framework. For projects we reviewed, we found that:

- The authorization and approval process included review and recommendation by the National Investment Prioritization Committee, EXCOM, and approval by the Commissioner or Regional Deputy Commissioner (as applicable) as part of the annual capital budgeting process.
- Contracts were signed by the appropriate CSC authority and by the recipient of the contribution.

However there were two areas related to the investment planning process that warrant further consideration by management.

Evidence of review was missing or had not been documented

We were unable to find evidence of portions of the review in 6 of the 13 projects we examined. The specific review elements missing were:

- Confirmation of review by legal services (2 cases); and
- Confirmation of review by the Contract Review Board (6 cases).

Furthermore, one of the projects (included in the totals above) was also missing evidence of review by the NIPC and Contracting and Material Services.

A record should be maintained of the review process that each NICP project undergoes. This would provide evidence that management is adequately discharging its responsibilities both in terms of general stewardship of public resources and as outlined in the TB submission. This is especially important for a contribution program as it may incur a higher level of public scrutiny than other types of spending.

Investment planning activities are not being carried out as expected in the TB submission

The TB submission indicated that CSC would conduct sound stewardship activities such as options analysis as part of the investment planning process. This would help ensure that NICP projects would be used when they were the most effective and efficient means of accomplishing the project goals. We found no evidence that any options analysis was conducted for NICP projects since the focus was shifted to the regional model of multiple, low-cost projects. While options analysis would likely be an inefficient use of resources given the small scale of individual projects, this creates a risk that CSC is not compliant with the expectations of the Treasury Board.

3.2.3 Payments and recording of financial information

The audit expected to find that the payments to recipients were only made when work is complete and supported by appropriate documentation. The audit assessed this criterion as being met with exceptions. The audit also expected to find that financial information was accurately reported through IFMMS and other methods. The audit assessed this criterion as being met. The findings are discussed below.

Payments to Recipients and Recording of Financial Information generally complies with established processes

The audit found a generally high level of compliance with the processes around providing payment to recipients and recording information in CSC's financial systems. In particular we noted that:

- All recipients we reviewed had provided invoices to CSC that were supported by supplier invoices for the work completed;
- Most invoices had evidence that section 34 had been properly authorized before payment of the invoice (we were unable to confirm as no date for the section 34 signature was available for 5 invoices related to two projects);
- Some of the recipients had provided emails or photos to confirm that the work had been completed;
- All projects had completed form 0286 (Request for Contract or Standing Offer) with financial coding and budget manager signature; this coding was carried through properly to CSC's financial systems. In situations where the coding in the system was different, supporting documentation was available to validate coding changes; and
- Most invoices were paid in a timely manner.

Overall most elements concerning the payment and processing of invoices related to the NICP are functioning appropriately. There is a concern that section 34 verification is taking place without confirmation that the work has actually been completed. A formal monitoring system requiring evidence such as photos of completed work would provide assurance necessary for the section 34 verification. This issue is also noted in section 3.1.3.

3.2.4 Other Note

Opportunities for improvement in terms of the NICP's information availability

The TB *Directive on Transfer Payments* (6.1.4) states that departmental managers responsible for "Ensuring that potential recipients have ready access to information about transfer payment programs and that a description of each program is made public, including application and eligibility requirements and the criteria against which applications will be assessed."

A description of the NICP is made public through the publication of the annual departmental plan, however there are weaknesses in the approach used to ensure potential applicants have readily available access to information about application and eligibility requirements.

CSC currently directly contacts organizations and solicits requests for contribution programs but no information is published and available on a continual basis, i.e. on CSC's internet site or similar resource. Improving the accessibility of the information related to the NICP, including updated application and eligibility requirements, and timelines for applications, would provide a better means for CSC to share relevant program information.

Conclusion

The shift in focus of the NICP raises concerns over whether CSC is still in compliance with the approval provided in its submission to the Treasury Board. The nature of projects currently being undertaken is significantly different from those outlined in the TB submission and the investment planning process being applied to these projects appears to be considerably less rigorous. CSC should take efforts to adhere closely to the approved framework and investment planning process. To do otherwise may cause risks that authority for the NICP will be withdrawn and/or that Treasury Board will impose more stringent conditions on future approvals.

Recommendation 3

The Assistant Commissioner, Corporate Services should review the eligibility of current project and expenditure requirements to ensure compliance with the TB submission design and expected outcomes.

Management Response

We agree with this recommendation. The ACCS will revisit the TBS Agreement governing the NICP and produce a Solicitation and Application process. Please see the actions and their associated deliverables below.

Recommendation 4

The Assistant Commissioner, Corporate Services should review and strengthen administrative processes for the management of NICP program in the area of investment planning by:

- Ensuring that appropriate investment planning activities are conducted for NICP projects;
- Retaining evidence of the investment planning and approval processes for each NICP project; and
- Ensuring that appropriate access to information for potential recipients of NICP contributions is in place.

Management Response

We agree with this recommendation. The ACCS will include CSC's Corporate Objectives that are specific to the NICP, produce an Investment Planning process and create an electronic Central Repository for the NICP. Please see the actions and their associated deliverables below.

4.0 OVERALL CONCLUSION

The NICP is an important tool for CSC despite the relatively modest funding allocated towards it. Our audit findings indicate that it generally accomplishes its purpose of providing a method for the organization to fund projects with partners (other levels of government and non-profit organizations) where other mechanisms would not be efficient or effective. This capability assists CSC in achieving its priority of building productive relationships with partners.

The shift in the NICP model to multiple, low-cost projects managed regionally has created several areas of concern and/or weakness. With respect to the first objective, the management framework for the NICP should be reviewed, including:

- Establishment of clear roles and responsibilities;
- Development of reference documentation for staff responsible for managing the program; and
- Development of a performance management strategy for the NICP.

With respect to the second objective we found that all recipients of NICP funds were eligible as per the terms and conditions approved by Treasury Board. The processes in place for making payment to recipients and recording financial information were generally functioning well.

Management should review the following areas of weakness for the second objective:

- Some project expenditures may not have been eligible;
- Investment planning activities for projects may not have been compliant with the expectations set forth in the TB submission; and
- Administrative processes have gaps that should be addressed.

5.0 MANAGEMENT RESPONSE

Management agrees with the audit findings and recommendations as presented in the audit report.

Management has prepared a detailed Management Action Plan to address the issues raised in the audit and associated recommendations. The Management Action Plan is scheduled for full implementation by March 31st, 2022.

6.0 ABOUT THE AUDIT

6.1 Approach and Methodology

Audit evidence was gathered through the following techniques:

Interviews: Interviews were conducted with senior staff responsible for managing the NICP in NHQ and in the regions. At the NHQ level, we interviewed the Senior Manager, Management Services and the Project Coordinator, Investment Planning at TSF. At the regional level, we interviewed staff responsible for managing the program (normally at the District or Area Director level) and a Regional Chief of Finance.

Review of Documentation: Relevant documentation, such as legislation, process maps, accounting manuals, financial directives, commissioner's directives and guidelines, financial records and reports as well as supporting documentation for key controls was reviewed.

Sampling Strategy: We selected a sample of NICP projects to review such that we:

- Included at least one project from each region;
- Included a reasonable number of large projects (threshold of \$100,000 budget or greater); and
- Included a sufficient number of projects at a higher risk of non-compliance.

Analytical Review: Detailed analytical reviews and testing was performed for each sample selected. This included reviewing documentation of the investment approval process, eligibility of the project and expenditures, management of the project, payments to recipients, and recording of the financial information.

6.2 Past Audits and External Assurance Work

No CSC internal audit or external assurance work has been completed in the last five years that focused on the NICP.

6.3 Statement of Conformance

In my professional judgment as Chief Audit Executive, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the opinion provided and contained in this report. The opinion is based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria that were agreed on with management. The opinion is applicable only to the area examined.

The audit conforms to the Internal Auditing Standards for Government of Canada, as supported by the results of the quality assurance and improvement program. The evidence gathered was sufficient to provide senior management with proof of the opinion derived from the internal audit.

Christian D'Auray, CPA, CA
Chief Audit Executive

ANNEX A: AUDIT CRITERIA

The following table outlines the audit criteria developed to meet the stated audit objective and audit scope:

Objective	Audit Criteria	Met/ Met with Exceptions/ Partially Met/ Not Met
1. To provide reasonable assurance that a management framework is in place and supports the effective and efficient management of the National Infrastructure Contribution Program.	1.1—Appropriate policies, directives, guidelines and manuals exist and are clear to support the management of the NICP and comply with applicable legislation.	Not Met
	1.2—Roles and responsibilities are clearly defined, documented and understood.	Not Met
	1.3.1—Monitoring and reporting processes are in place and there is general oversight of the NICP.	Partially Met
	1.3.2—Issues are identified, reported and corrective measures are taken when required.	Unable to Evaluate
2. Provide assurance that CSC is compliant with Treasury Board's approval of the NICP and the Policy on Transfer Payments.	2.1—Projects, recipients, and expenditures meet the eligibility requirements as per the Terms and Conditions.	Partially Met
	2.2—CSC follows the required investment planning process as outlined in the Terms and Conditions.	Partially Met
	2.3—Payments to recipients are only made when work is complete and supported by appropriate documentation.	Met with Exceptions
	2.4—Financial information is accurately reported through IFMMS and other methods.	Met

ANNEX B: SAMPLE PROJECTS REVIEWED

List of Sample Projects—FY18-19					
Region	Project	Project Code	Reason for Selection as part of the Audit	Purpose of Project	Budgeted
NHQ	Maple Creek Road Maintenance	100–94401	Only agreement in this region, amount of funding > \$100K	Road Maintenance fees	\$712,464
Atlantic	Greenfield House	200–99100	Only agreement in this region	Renovate the entrance to make it accessible	\$60,000
Quebec	Centre résidentiel communautaire Roberval	300-99131	Amount of funding > \$100K, project appears to be complete based on budget vs. actuals	Renovate washrooms and fix plumbing	\$159,000
Quebec	Point de Rencontre Inc.	300-99147	Project appears to be complete based on budget vs. actuals, purpose of project	Install a gazebo in the garden	\$11,000
Quebec	CRC Maison Joins-Toi Granby	300-99122	Purpose of project	Interior and exterior renovations and changing windows (change windows, renovate a bathroom, repair a water leak in the ceiling, and repairs to old and worn floors)	\$88,000
Quebec	Société Emmanuel-Grégoire	300-99139	Purpose of project	Interior and exterior renovations (repairs to the outside terrace, replacement of windows, kitchen renovations) and installing a security system	\$86,150
Quebec	Maisons de transition de Montréal Inc.	300-99145	Purpose of project	Install kitchen cabinets replace damaged bathtubs	\$46,000
Prairies	Eagle Women's Lodge—Indigenous Women's Healing Center Inc.	500–99154	Only agreement in this region, amount of funding > \$100K, project appears to be complete based on budget vs. actuals	Interior renovations and installing a security system (Camera system/pass cards, Security/Dutch Door, Building Intercom System, Replacement of hot water tank)	\$115,000

List of Sample Projects—FY18-19					
Region	Project	Project Code	Reason for Selection as part of the Audit	Purpose of Project	Budgeted
Pacific	John Howard Society—Manchester	800–99103	Project appears to be complete based on budget vs. actuals	Renovation of the fire safety system	\$23,000
Pacific	John Howard Society—Tims Manor	800–99106	Purpose of project	Interior renovations (converting 8 existing beds [4 two-bedroom units on the top floor] to CBRF beds and adding 2 beds on the ground floor; upgrading of flooring, painting, security access system and the staff office will also be completed)	\$90,000

List of Sample Projects—FY19-20					
Region	Project	Project Code	Reason for Selection	Purpose of Project	Budgeted
Quebec	Déclic Action	300-99175	Amount of funding > \$100K, purpose of project	Refitting of space allocated for therapy programming interventions	\$150,000
Ontario	St. Leonard's Community Services—London	400–99161	Amount of funding > \$100K, purpose of project	Roof Replacement	\$109,000
Pacific	John Howard Society—Hobden	800–99156	Purpose of project	Hobden House building and equipment sustainment	\$76,500

ANNEX C: NICP PROJECTS IN 2018-19 AND 2019-20

Region	2018-19 Approved Projects	2018-19 Total Value of Agreements	2019-20 Projects Pending Approval ¹	2019-20 Total Proposed Value of Pending Projects
Atlantic	1	\$60,000	0	\$0
Quebec	38	\$2,275,000	23	\$1,110,264
Ontario	0	\$0	10	\$357,714
Prairies	1	\$115,000	0	\$0
Pacific	9	\$1,520,000	4	\$216,500

Note 1—At the time of the Audit, 2019-20 projects were still pending approval. The information presented here is based on what we had access to at the time; there may have been subsequent changes.