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# Audit of Social Infrastructure Funding – Homelessness Partnering Strategy

November 2018





## **Audit of Social Infrastructure Funding - Homelessness Partnering Strategy**

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## 1. BACKGROUND

### 1.1 Context

The Government announced in Budget 2016 a plan for major spending increases for social infrastructure investments.

The Homelessness Partnering Strategy (HPS) is a community-based program aimed at preventing and reducing homelessness by providing direct support and funding to communities and to organizations that address homelessness across Canada.

The HPS budget in previous fiscal years was \$105.3 million per year. A Social Infrastructure Funding (SIF) increase was approved for \$107.0 million over two years; \$54.8 million in 2016-17 and \$52.2 million in 2017-18. Per Budget 2016, this new funding was made available for Housing First activities, better emergency response services, and supports for youth, women fleeing violence, and veterans.

There was an expectation, based on communication received from Treasury Board, that the SIF would be segregated sufficiently from the regular funding stream to allow for specific identification of projects funded by the new money for the purposes of management and reporting. **PROTECTED.**

### 1.2 Audit Objective

The objective of this audit was to provide assurance that adequate controls are in place for the management of the HPS in accordance with the expectations stemming from the SIF increases announced in Budget 2016.

### 1.3 Scope

The audit examined amendments to existing agreements and new agreements entered into in fiscal year 2016-17 and related documents, including reports to central agencies. This audit also examined the procedures leading to the signing of an amended agreement or new agreement and it reviewed the reporting regime related to SIF for HPS only.

This audit should be read in conjunction with the *Audit of Grants and Contributions (Gs and Cs) Control Framework*. This audit does not duplicate the work done in the Gs and Cs Control Framework audit. The recipient audit program is part of the general control framework for the administration of Gs and Cs and was not examined in this audit.



### 1.4 Methodology

The information contained in this audit report was collected through the review of relevant documents, examination of agreements and related correspondence, and interviews with managers from Program Operations Branch, Income Security and Social Development Branch, and Strategic and Service Policy Branch. The audit work was conducted between December 2017 and February 2018.



## 2. AUDIT FINDINGS

### 2.1 Social infrastructure funds for the Homelessness Partnering Strategy were allocated based on a set formula

Budget 2016 announced an increase in funding through SIF to the Department for HPS. This new funding was used to increase the allocations to existing community entities receiving funds to alleviate homelessness in their municipalities and communities. These increases were based on set percentages depending on the funding stream.

The risk assessment conducted by the program authority prior to the implementation of the budget increases found that there were no material changes to the program risks, except that the increased emphasis on the Housing First model<sup>1</sup> would require some additional attention during the transition from the previous delivery models. Otherwise, existing management practices were considered adequate to manage the additional funding.

HPS has several funding streams depending on the characteristics of the community or province receiving the funds. Major cities have characteristics that are different from smaller urban areas and are different again from homelessness in rural and remote communities. Homelessness among indigenous Canadians also requires a somewhat different response.

The delivery models differ as well. In most of the country, community entities have been established at the municipal or regional level which, in turn, redistribute funding to local service organizations based on local priorities. In Quebec, HPS funding decisions are made in accordance with a formal Canada-Quebec agreement that respects the jurisdiction and priorities of both governments in addressing homelessness. Service Canada is responsible for the ongoing management of agreements with local service organizations. Most existing providers received increases and some new service providers or projects were funded. The audit team examined a sample of these files and found that the funding decisions were properly documented.

The audit team also examined a sample of amendments related to the implementation of the funding increases and found that the funding increases were applied consistently and that the requirements of Budget 2016 were reflected accurately.

The audit team concludes that the process for identifying and awarding funding increases was adequate.

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<sup>1</sup> Housing First is an approach that focuses on moving people who are homeless into permanent housing along with providing supports that vary according to client need. More information is available on the Employment and Social Development Canada website [here](#).

## 2.2 Use of social infrastructure funds was reported to central agencies

As highlighted in the March 2017 *Review of the Control Framework for the Management of Social Infrastructure Funding* (the *Review*), HPS did not set up the delivery of the expanded program to permit specific reporting on the use of the social infrastructure funds. As noted in the management response to the *Review*, Employment and Social Development Canada (ESDC) uses estimates to report both spending and results to central agencies.

The audit team examined the reports and the estimation methodology used. Reports have been provided to Infrastructure Canada and the Office of the Parliamentary Budget Officer as requested. The reporting regime and schedule are still being refined and ESDC is cooperating with central agencies to meet their reporting requirements.

The Department continues to use the performance measurement regime that was established in 2014 when the current five year agreements were signed. Changing these measures during an active agreement would impose an additional administrative burden on recipients, therefore no changes were made during the implementation of the funding increases.

The current set of five year agreements will expire in 2019. Based on announcements in the Budget, funding for homelessness will continue beyond the expiry of the current agreements. This will give the Department an opportunity to redesign both the spending and performance reporting regime to better conform to central agency expectations.

The audit team concludes that the estimates used for reporting are an adequate proxy for results, but could be more precise. The *Review* contained a recommendation with respect to this issue with a completion date of June 2018. However, implementation has been delayed to November 2018, as reported in the *Follow Up on Management Action Plans* presented to the Departmental Audit Committee on June 5, 2018. Because the Department has committed to an action plan related to this finding, the audit team makes no further recommendation.

## 3. CONCLUSION

The audit concluded that the controls in place for managing the SIF HPS funding allocation and reporting results for the SIF are adequate.



## 4. STATEMENT OF ASSURANCE

In our professional judgement, sufficient and appropriate audit procedures were performed and evidence gathered to support the accuracy of the conclusions reached and contained in this report. The conclusions were based on observations and analyses at the time of our audit. The conclusions are applicable only for the implementation of the increased HPS funding announced in Budget 2016. The evidence was gathered in accordance with the Treasury Board *Policy on Internal Audit* and the *International Standards for the Professional Practice of Internal Auditing*.



## APPENDIX A: AUDIT CRITERIA ASSESSMENT

Audit Criteria	Rating
It is expected that program risks associated with the inclusion of new infrastructure funding through SIF have been assessed and plans are in place to mitigate any changes.	Sufficiently controlled; low-risk exposure
It is expected that adequate processes are in place at the program and project levels to monitor SIF spending.	Sufficiently controlled; low-risk exposure
It is expected that the program maintained quality and management oversight during the implementation of the SIF.	Sufficiently controlled; low-risk exposure
It is expected that the program met the reporting expectations relating to the use and results of the SIF.	Sufficiently controlled; low-risk exposure
It is expected that performance measures and data analytics are in place to monitor and report on SIF results, potential fraud risks and fulfillment of SIF expectations.	Sufficiently controlled; low-risk exposure



## APPENDIX B: GLOSSARY

ESDC	Employment and Social Development Canada
Gs and Cs	Grants and Contributions
HPS	Homelessness Partnering Strategy
SIF	Social Infrastructure Funding

