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Audit of Social Infrastructure Funding – First Nations and Inuit Child Care Initiative

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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 First Nations and Inuit Child Care Initiative (FNICCI) began in 1995 with the goal of creating 6,000 child care spaces on First Nations reserves and in the Territories based on a government commitment from 1993. Additionally, FNICCI was intended to provide culturally appropriate, affordable, quality child care services comparable to what is available to other Canadian children. In 1999, FNICCI was bundled into the aboriginal human resource development agreements with First Nations and with service providers in the Territories to take advantage of the agreement holders' delivery networks.

For 2016–17 FNICCI received \$16 million in additional funding for capital projects. There was an expectation that the social infrastructure funding (SIF) would be segregated sufficiently from the regular funding stream to allow for specific identification of FNICCI capital projects for 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 FNICCI in accordance with the expectations stemming from the SIF announced in Budget 2016.

1.3 Scope

The audit examined amendments to existing agreements entered into in fiscal year 2016-17 under SIF, and related documents including reports to central agencies. This audit also examined the procedures leading to the signing of an amended agreement relating to capital projects for child care purposes and the reporting regime related to SIF for FNICCI only.

This audit should be read in conjunction with the *Audit of Grants and Contributions (Gs & Cs) Control Framework*. This audit does not duplicate the work done in the Gs & Cs Control Framework audit. The recipient audit program is part of the general control framework for the administration of Gs & 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, Skills and Employment Branch, and Strategic and Service Policy Branch. The audit work was conducted between December 2017 and February 2018.



2. AUDIT FINDINGS

2.1 Capital projects were solicited and prioritized by the Department

Budget 2016 announced a funding increase for capital projects under FNICCI. This new funding was used to support renovations of child care facilities and replacement of capital equipment at existing child care facilities funded by FNICCI.

The risk assessment conducted by the program authority prior to the implementation of the budget increase found that there were no material changes to the program risks. The existing program allowed for capital projects, therefore it was determined that the actual risk profile was still applicable and that management practices in place were adequate.

Working through the existing master agreement holders that receive FNICCI funding, the Department informed child care facilities that money for capital renovation and renewal could be made available to them. Interested parties were invited to submit proposals for capital projects in June 2016 and December 2016. The budgeted amount for 2016-17 was fully allocated to qualified projects.

The amendments for the second round of funding were processed in March 2016. This happened after the extension of the Aboriginal Skills and Employment Training Strategy (ASETS) agreements to March 31, 2017 and allowed the Department to take advantage of the carry-forward provisions contained in agreements with aboriginal organizations. It was noted that the SIF for 2017-18 was fully allocated per the funding guidelines.

Proposed projects were evaluated and given a priority for funding based on urgency while balancing regional priorities and representation. Amendments to the master ASETS agreements specifically identified the capital projects by child care centre including the amount of funding provided. This identification allows for specific monitoring of each project and reporting of results.

2.2 Documents relating to the Social Infrastructure Funding were difficult to locate

The Common System for Grants and Contributions (CSGC) is the system of record for the administration of Gs & Cs agreements. There is a document repository included in CSGC where documents relating to the administration of the agreement can be stored electronically.

The audit team expected that the key documents would be scanned and stored in a consistent manner. For the purposes of this audit, the team considered that the following documents were key: the project proposal from the recipient; the report recommending the amount of funding; the record of decision relating to the recommended amount of funding; and the signed amendment to the agreement.



Due to a system limitation in CSGC, a single agreement with multiple funding streams is treated as separate agreements. ASETS agreements with First Nation organizations can have up to four funding streams: employment and training funded by the Employment Insurance Fund; employment and training funded by the Consolidated Revenue Fund (CRF); employment and training funded by the First Nations Job Fund; and child care funded by FNICCI. All four of these funding sources have CSGC identifier numbers and their own document repository, although the CRF file is generally considered the master file for documents that touch more than one funding source.

The audit team found that there was no national consistency in where documents were stored or what the documents were named. This is consistent with the findings discussed in the *Audit of Grants and Contributions Control Framework*.

The majority of the application and assessment documents were found in the FNICCI document repository, but none of the files included the identifier "SIF" in the name which made it more difficult to locate SIF related documents. The signed amendment was expected to be found in the CRF repository but was found in other repositories in four of the samples. There were also two samples where the signed amendment had not been scanned and uploaded, but the subsequent amendment reflected the approved aggregate amount including the SIF amount as recommended.

The audit team concludes that there is an opportunity to improve information management practices within CSGC which could lead to improved efficiency in locating and retrieving documents.

2.3 Use of social infrastructure funds was reported to central agencies

As noted above, the amendments to the ASETS agreements specified which child care centres were to receive social infrastructure funds. The Aboriginal Program Operations Directorate within the Program Operations Branch began tracking the projects separately for reporting purposes after it was made aware of the reporting expectations.

The audit team examined the reports and the underlying data on a sample basis. No material issues were discovered. Reports have been provided to Infrastructure Canada and the Parliamentary Budget Office as requested. The reporting regime and schedule are still being refined and the Department is cooperating with central agencies to meet their reporting requirements.

3. CONCLUSION

The audit concluded that the controls in place for managing the SIF FNICCI 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 SIF for FNICCI in 2016-17 and the related processes and amended agreements. 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 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

ASETS	Aboriginal Skills and Employment Training Strategy
CRF	Consolidated Revenue Fund
CSGC	Common System for Grants and Contributions
FNICCI	First Nations and Inuit Child Care Initiative
Gs & Cs	Grants and Contributions
SIF	Social Infrastructure Funding

