



Audit of Program Design for Grants and Contributions

Audit Report

June 2024





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1. BACKGROUND

Transfer payments, such as Grants and Contributions (Gs and Cs), typify a large part of the Government of Canada spending. They are important tools in advancing its broad policy objectives and priorities.

Employment and Social Development Canada (ESDC) recognizes that suitable Gs and Cs program design is important. It fosters efficient and effective program development and delivery for applicants, service delivery partners, and recipients/beneficiaries.

1.1 Audit objectives

The purpose of this audit was to provide assurance to senior management on the extent to which Gs and Cs program design supports effectively meeting program objectives.

1.2 Scope

The audit scope included initial policy and program development activities through to the creation of operational processes and supporting tools and guidance. Performance measurement was excluded from the audit scope as it was addressed by another concurrent audit. Our sample of Gs and Cs programs examined major themes in the audit objective and their corresponding lines of inquiry.

1.3 Methodology

We conducted the audit by:

- analyzing and reviewing documentation and data
- on-site walk-throughs at National Headquarters (NHQ) and Western-Territories Region offices
- interviewing management and staff from the implicated branches at NHQ and the Regions

2. AUDIT FINDINGS

2.1 Overall, program design is compliant with the legislative/policy framework, but there is an opportunity to update and clarify program design roles and responsibilities

Program design is compliant with legislative and policy framework, and objectives are aligned along the policy to service continuum. The Department has established and regularly updates a Program Design and Delivery Planning Framework. This framework is aligned with the Treasury Board Secretariat's (TBS) *Policy and Directive on Transfer Payments*.

The Program Operations Branch's (POB), Strategic Operations Committee provides program design governance. Yet, most operational managers lacked awareness of the framework and its usage requirements. Those who were aware of the framework considered it a non-mandatory guidance tool.

Program and regional delivery groups are not always consulted within the design process by policy officials. ESDC last updated its Memorandum of Understanding (MOU) outlining roles and responsibilities in 2015. Also, the draft Gs and Cs Program Design and Delivery Charter is on hold because of ongoing organizational changes. Neither the framework, the MOU, nor the delivery charter reflect key program design governance roles and responsibilities.

Unclear roles and responsibilities could lead to ineffective program design and failure to meet objectives. Insufficient consultation with stakeholders might cause program inefficiencies, rework, and delays.

Recommendation

1. POB should, in collaboration with the policy branches involved in Gs and Cs management, including those directly implicated in the audit (the Strategic and Service Policy Branch (SSPB), Skills and Employment Branch (SEB) and the Income Security and Social Development Branch (ISSDB) and the Regions) review, clarify, formalize, and communicate program design roles and responsibilities.

Management response:

Management agrees with the recommendation.

All stakeholders involved in Grants and Contributions management agree that clear roles and responsibilities, continuous engagement and collaboration, and communication across the policy service delivery continuum are required.

POB, Policy Branches, Regions, and enabling partners, will work together to document and formalize roles and responsibilities along the policy service continuum with a view to fostering continuous improvement, business efficiencies, and innovation. This work builds on the foundation of the 2023 internal review within POB of roles and responsibilities, business practices, and organizational models.

Of note, the new model for Service Canada, the Service Delivery Network (SDN), will require a thorough review of roles and responsibilities and collaboration points to identify how Grants and Contributions would be integrated into the new structure. The SDN is expected to be operationalized by spring 2025, which may impact implementation of certain Management actions.

In parallel, POB is working on optimizing service delivery for Grants and Contributions programming to enable a more integrated management approach that addresses workload and workforce pressures.

POB is establishing revised Grants and Contributions governance to bring together the policy service continuum and all enabling branches that contribute to program delivery. This will entail rescoping the mandates of existing Director and Director General level governance, as well as establishing a new committee at the Assistant Deputy Minister level.

The objective of the new and updated governance fora to improve horizontal engagement across all Grants and Contributions programs as well as ensure that program design and delivery benefits from an integrated, client-centric perspective that drives timely, transparent, and intuitive programming. Their mandates will include the clarification and updating of the Roles and Responsibilities.

2.2 While centralized capacity supports program design, and collaboration among the stakeholders was evident, opportunities to strengthen collaboration between policy, operations and regional stakeholders were noted

POB provided centralized support for program delivery staff. They also provided and updated relevant training, tools, guidance, and manuals to program officers. Although, in one case, policy design expectations about applicant screening rules were not clearly defined or communicated to regional program delivery officials. This led to revisions of the approved assessment and screening tools to prevent applicants from being screened out by error.

We haven't found any reversed decisions communicated to applicants. Still, this caused delays, rework, relationship issues, and prevented staff from being reassigned to other programs as planned. When regions aren't

consulted on tool development by POB and design rules by policy officials, it could lead to inefficient program delivery and unmet recipient needs.

Recommendation

2. POB should, in collaboration with all policy branches involved in Gs and Cs management, including those directly implicated in the audit and the Regions, review the development of application packages, outreach activities, and tools to foster alignment of policy intent and implementation considerations as well as achieve effective and timely delivery of programs.

Management response:

Management agrees with this recommendation.

All stakeholders involved in Grants and Contributions management agree that collaboration can continue to be improved to ensure alignment of policy intent and implementation considerations to support effective and timely delivery of programs.

Collaboration between POB, Policy branches and the Regions is already a best practice and can continue to be improved and enhanced based on lessons learned. The ability to course correct during program delivery, based on changing circumstances is a good indicator of this collaboration in practice, such as the example that occurred in the implementation of the Opportunities Fund for Persons Disabilities program.

To ensure effective and efficient calls for proposals that enable applicants to have access to funding in reasonable timelines, POB works with Regions and Policy branches in close consultation to prepare applications packages and tools, considering a risk-based program lens.

Policy branches collaborate with POB and Regions to ensure that planned client outreach activities and Grants and Contributions applications and supporting tools are aligned with the policy intent.

The new and enhanced governance POB will be implementing will also provide an ongoing opportunity to foster collaboration across program portfolios and share best practices on policy service alignment through the Grants and Contributions life cycle.

In the spirit of Reconciliation, special attention is given to the policy service continuum for Indigenous programs to ensure engagement of Indigenous communities in matters that pertain to them.

2.3 PROTECTED

Recommendation

3. PROTECTED

Management response

PROTECTED

2.4 Program risks are not being captured nor informing program design as much as they should be

Risk assessments are completed at the Treasury Board Submission stage, and they are linked to program objectives. However, recording, updating, and implementing program-specific risks on program design and redesign is inconsistent across programs.

In 2018, an internal audit recognized that Gs and Cs programs needed to undertake ongoing and periodic risk assessments. A management action plan (MAP) was created and a pilot project involving 6 Gs and Cs programs is in progress, but the approach isn't fully implemented.

PROTECTED

Recommendation

4. PROTECTED

Management response

PROTECTED

3. CONCLUSION

Overall, program design is compliant with the legislative/policy framework. However, an opportunity exists to update and clarify program design roles and responsibilities.

While centralized capacity supports program design, there is room for improvement to better document risks and enhance collaboration between policy, operations, and regional stakeholders in program design.

PROTECTED

Feedback mechanisms and lessons learned processes support Gs and Cs program design within individual programs, but improvement opportunities are not consistently documented and applied across the Gs and Cs programs.

4. STATEMENT OF ASSURANCE

In our professional judgment, the audit team gathered and analyzed enough and proper evidence to support the accuracy of conclusions found in this report. The audit team based these conclusions on observations and analysis at the time of the audit.

These conclusions are applicable only for the Audit of Program Design for Grants and Contributions. The audit team followed the TBS *Policy on Internal Audit* and the *International Standards for the Professional Practice of Internal Auditing*.

1. APPENDIX A: AUDIT CRITERIA ASSESSMENT

An adequate management framework exists, is consistently applied, and supports effective Gs and Cs program design:

An effective management framework exists with clearly defined roles, responsibilities, and accountabilities, which are communicated to internal stakeholders.

Rating: controlled, but should be strengthened; medium-risk exposure

An effective oversight mechanism exists which governs the design of Gs and Cs programs in keeping with Treasury Board guidelines.

Rating: sufficiently controlled; low-risk exposure

Collaboration occurs among relevant stakeholders during the design process; the needs of all parties in the policy to service continuum are considered.

Rating: controlled, but should be strengthened; medium-risk exposure

Centralized support (in other words, training, tools, guidance, manuals) is provided. To ensure that ESDC's national and regional service delivery network can achieve program objectives in a timely and consistent manner.

Rating: controlled, but should be strengthened; medium-risk exposure

Feedback mechanism exists that incorporate lessons learned from quality assurance results, earlier audits, evaluation, or other departmental assessments and recipient feedback in the design and redesign of Gs and Cs programs.

Rating: sufficiently controlled; low-risk exposure

Gs and Cs program design considers risk-based principles and is compliant with the legislative/policy framework:

The Gs and Cs program design is compliant with TBS policy, including the core design elements as outlined in the *Policy on Transfer payments*, and ESDC guidance.

Rating: controlled, but should be strengthened; medium-risk exposure

The Gs and Cs program design considers and incorporates risk-based principles and includes consideration for risk-based financial management controls.

Rating: missing key controls: elevated risk exposure

The Gs and Cs program aligns with the Memorandum to Cabinet and the Treasury Board submissions.

Rating: sufficiently controlled; low-risk exposure

LIST OF ABBREVIATIONS

ESDC	Employment and Social Development Canada
Gs and Cs	Grants and Contributions
ISSDB	Income Security and Social Development Branch
MAP	Management Action Plan
MOU	Memorandum of Understanding
NHQ	National Headquarters
POB	Program Operations Branch
SEB	Skills and Employment Branch
SSPB	Strategic and Service Policy Branch
TBS	Treasury Board Secretariat