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Santé
Canada

Final Audit Report

Audit of the Grants to the Mental Health Commission of Canada

December 2011

Table of Contents

Executive summary	i
1. Introduction	1
1.1 Background.....	1
1.2 Audit objectives	3
1.3 Scope and approach	3
1.4 Statement of assurance.....	3
2. Findings, recommendations and management responses	4
2.1 Effective Management Control Framework	4
2.1.1 <i>Terms and conditions of the Funding Agreements</i>	4
2.1.2 <i>Monitoring activities and risk management</i>	4
2.1.3 <i>Approval of payments</i>	5
2.1.4 <i>Performance measurement</i>	6
2.2 Compliance with the terms and conditions of the Funding Agreements	7
2.2.1 <i>Controls and management practices</i>	7
2.2.2 <i>Use of funds</i>	9
2.2.3 <i>Reporting requirements</i>	10
2.2.4 <i>Communication requirements</i>	11
2.2.5 <i>Legislation and policies</i>	12
3. Conclusion	16
Appendix A - Lines of enquiry and audit criteria	17
Appendix B - Board members	18

Executive summary

This report sets out the findings, conclusions and recommendations from the Audit and Accountability Bureau's (AAB) Audit of the Grants to the Mental Health Commission of Canada (the Commission). Funding to the Commission was approved for a contribution agreement of \$5.5 million in fiscal year 2007-08 and two separate grants: \$124.5 million over a nine-year period starting in 2008-09 to support the Commission's operations (operational grant) and \$110 million in three instalments in 2008-09 to support a five-year project called "Research Demonstration Projects in Mental Health and Homelessness" (project grant). Only the two grants are the subject of this audit.

The objectives of the audit were to provide the Deputy Minister with assurance that an effective Management Control Framework is in place within Health Canada's Strategic Policy Branch (SPB) for managing and monitoring the Funding Agreements; and that the Commission complies with their terms and conditions.

The audit was conducted by the Audit and Accountability Bureau in accordance with the Government of Canada's *Policy on Internal Audit*.

The audit concludes that:

- the Strategic Policy Branch's Management Control Framework is effective in managing and monitoring the two Funding Agreements with the Mental Health Commission of Canada. This is demonstrated more specifically through its compliance to the Funding Agreements with the funding proposals and the *Directive on Transfer Payments*, its approach to monitoring and managing risk, its review and approval of documentation in support of payments and, through the requirement for an evaluation by the Commission; and
- that the Commission has complied with the terms and conditions of the Funding Agreements, more specifically through controls and management practices that support due regard for economy and efficiency, its use of funds, its maintenance of financial records, reporting and its compliance with federal legislation and policies.

However, the following areas of improvement require attention by SPB management:

- development of an action plan by the Commission in response to the independent evaluation recommendations and the monitoring by SPB of the Commission's progress in implementing actions;
- strengthening of the Commission's controls around travel expenses and adherence to its travel policy;
- inclusion of both financial results and remuneration and other benefits paid to the Commission's management team pertaining to the activities covered by the project grant in the Commission's Annual Report; and

- sharing by the Commission of its conflict of interest policies and code of conduct with all employees and the public.

The report includes four recommendations that address these issues. Management agrees with the recommendations and its response indicates its commitment to take action.

1. Introduction

1.1 Background

The Mental Health Commission of Canada (the Commission) was incorporated as a not-for-profit organization on March 26, 2007 under the *Canada Corporations Act* to provide a national focal point for mental health issues. The Commission operates at arm's length from governments and has a ten-year mandate. Its goal is to foster change and innovation in the organization and delivery of mental health services and support, resulting in a real difference in the lives of Canadians living with mental illnesses, their families, caregivers and communities. To this end, the Commission encourages cooperation and collaboration among governments, mental health service providers, employers, the scientific and research communities, as well as Canadians living with mental illnesses. More specifically, the Commission's mandate is to:

- lead the development of a mental health strategy for Canada;
- build a pan-Canadian knowledge exchange centre that will allow governments, providers, researchers and the general public to access evidence-based information about mental health and mental illness and enable people across the country to engage in a variety of collaborative activities;
- develop and implement a campaign to reduce the stigmatization of mental illnesses and eliminate discrimination against people living with mental health problems and mental illnesses; and
- conduct multi-site and policy relevant research that will contribute to the understanding of the effectiveness and costs of service and system interventions to achieve housing stability and improved health and well-being for those who are homeless and mentally ill.

Since 2007, the federal government has been providing funding to the Commission through a contribution agreement and two grants. The table below demonstrates the allocation of the funding per fiscal year, as per the corresponding Funding Agreements.

Fiscal Years	Contribution Agreement	Operational Grant	Project Grant
2007-08	\$5,500,000		
2008-09		\$7,500,000	\$110,000,000
2009-10		\$12,000,000	
2010-11 until 2016-17		\$15,000,000 (per year/seven years)	
Sub total	\$5,500,000	\$124,500,000	\$110,000,000
Grand Total			\$240,000,000

A contribution agreement was put in place for the fiscal year 2007-2008 as it was found to be the most appropriate transfer payment to provide funding during the Commission's first months of existence, allowing time to transition from a provisional board of directors to a full board, supported by staff, by-laws and a strategic plan, before the approval of the operational grant.

The operational grant was established to support the Commission's activities over a nine-year period (fiscal years 2008-09 to 2016-17). The project grant was established to provide funding to the Commission to support research projects in mental health and homelessness over a five-year period (fiscal years 2008-09 to 2012-13) in five urban centres across Canada.

The Commission follows the deferral method of accounting for funding provided by Health Canada. This means that the funding is recognized as revenue in the year in which expenses related to funded activities are incurred. As such, the amounts shown in the table above are those that were planned as per the Funding Agreements and do not represent actual expenses by the Commission. Based on the Commission's audited annual financial statements, up to March 31, 2011, actual expenses incurred for the 4 year period (2007-2011) amounted to \$83.8 million, broken down as follows: \$4.2 million in fiscal year 2007-08, \$7.9 million in 2008-09, \$28.2 million in 2009-10 and \$43.5 million in 2010-11. As at March 31, 2011, deferred funding received from Health Canada amounted to \$31.2 million.

It should be noted that a contribution is a transfer payment subject to performance conditions specified in a Funding Agreement. It is to be accounted for and is subject to audit. As for a grant, it is subject to pre-established eligibility and other entitlement criteria. It is neither subject to being accounted for by a recipient, nor is it normally subject to audit. However, grant recipients may be required to report on results achieved.

Given the size of the project grant and the fact that it comes with some conditions, an exemption from the *Policy on Transfer Payments* was granted through a funding proposal to yield Health Canada the right to audit the Commission's compliance with the Funding Agreements.

Health Canada's Strategic Policy Branch (SPB), through its Policy Coordination and Planning Directorate, is responsible for the management of the Funding Agreements.

The Commission is governed by a board of directors which is made up of both government (from federal, provincial and territorial jurisdictions) and non-government directors. The list of board members is provided in Appendix B. In addition, the Board of directors is assisted by eight advisory committees that provide advice and support to the Commission in keeping engaged with the broader stakeholder community.

As required by the Funding Agreements, the Commission has carried out an initial independent program evaluation and submits audited annual financial statements.

1.2 Audit objectives

The objectives of this audit were to determine whether:

- the Strategic Policy Branch (SPB) has put in place an effective Management Control Framework for managing and monitoring the Funding Agreements; and
- the Commission complies with the terms and conditions of the Funding Agreements.

Lines of enquiry and audit criteria are presented in Appendix A.

1.3 Scope and approach

The scope of the audit included the Commission's activities relating to the two grants for fiscal years 2009-10 and 2010-11.

The audit focused on the Management Control Framework within SPB for the monitoring and managing of the Funding Agreements and on the Commission's compliance with the terms and conditions of both Funding Agreements, including related internal controls.

Work was performed at Health Canada's Strategic Policy Branch in Ottawa and at the Commission's premises in Calgary, Alberta, in July 2011.

The audit approach and methodology consisted of detailed documentation review, interviews, financial testing and the examination of evidence supporting the eligibility of activities reported based on a judgemental sample, the review of internal control processes and the presentation of financial information for decision making.

1.4 Statement of assurance

In the professional judgment of the Chief Audit Executive, sufficient and appropriate procedures were performed and evidence gathered to support the accuracy of the audit conclusion. The audit findings and conclusion are based on a comparison of the conditions that existed as of the date of the audit, against established criteria that were agreed upon with management. Further, the evidence was gathered in accordance with the *Internal Auditing Standards for the Government of Canada* and the *International Standards for the Professional Practice of Internal Auditing*.

2. Findings, recommendations and management responses

2.1 Effective Management Control Framework

2.1.1 Terms and conditions of the funding agreements

Audit criterion: *The Funding Agreements comply with the funding proposals and the Directive on Transfer Payments (October 2008) pertaining to the terms and conditions for grants.*

Within the scope of this audit is a grant for \$124.5 million over a nine year period starting in fiscal year 2008-09 to support the Commission's operations and a second grant of \$110 million paid in three instalments in fiscal year 2008-09 to support a five-year project called "Research Demonstration Projects in Mental Health and Homelessness".

The Treasury Board of Canada's *Directive on Transfer Payments*, more specifically its annexes D (Terms and Conditions for Grants), F (Funding Agreement Provisions for Grants), and H (Funding Agreement Provisions for Up-Front Multi-Year Funding), provides a list of mandatory requirements pertaining to grants. A review of all terms and conditions in the Funding Agreements was conducted to determine whether they are in compliance with these requirements.

The Funding Agreements contained all applicable terms and conditions listed in the funding proposals and in the *Directive on Transfer Payments*. No omissions or discrepancies were noted.

In conclusion, the Funding Agreements comply with the funding proposals and the *Directive on Transfer Payments* pertaining to terms and conditions for grants.

2.1.2 Monitoring activities and risk management

Audit criterion: *The SPB has a formal and rigorous approach to monitor the Commission's activities to manage risk.*

The SPB implemented the Enterprise Risk Management – Agreement/Recipient Risk Assessment Tool (Risk Tool) as of April 2010, developed as part of the Health Portfolio¹ framework for grants and contributions. The Risk Tool was developed as a result of the Treasury Board of Canada's *Policy on Transfer Payments*, which aims to reduce the administrative burden on recipients by adopting monitoring, reporting and audit requirements that are proportionate to risk.

Specific risks related to the Funding Agreements are included in SPB's Risk Tool while attention to warning signals allows SPB to actively monitor and recognize areas of

¹ The Health Portfolio includes Health Canada, the Canadian Institutes for Health Research and the Public Health Agency of Canada.

concern. Using this instrument, SPB determined that the overall risk rating is moderate for the operational grant, and low for the project grant.

The SPB has developed a monitoring framework document to provide guidance to staff involved in monitoring the Commission's activities. The document includes the following tools:

- *Description of the accountability provisions in the Funding Agreements:* specifies requirements derived from the two Funding Agreements to which the Commission must adhere.
- *Annual cycle of deliverables and accountability monitoring schedule:* provides a chronological listing of activities related to the Mental Health Commission accountability and operations and of those that occur on a cyclical basis.
- *Accountability monitoring schedule for discretionary and/or time-limited activities:* similar to the above, but for activities that have time limitations and do not occur on an annual basis (i.e. independent evaluation; appointment of federal appointee)
- *Ongoing due diligence activities:* describes activities that the Department must undertake on an ongoing basis to ensure that all aspects of the Mental Health Commission Funding Agreements are managed in an appropriate and efficient manner—while recognizing and mitigating potential risks.
- *General obligations as articulated in the Funding Agreement:* outlines the Commission's broad requirements (i.e. conflict of interest, official languages, lobbying).

The operational grant's reporting requirements include a cash flow schedule, a business plan, an annual report, financial statements and an independent evaluation report. The review and analysis of these documents keep SPB abreast of the Commission's activities. There is also regular and ongoing communication between SPB and the Commission through conversations and emails. In addition, within nine months of the expiry of the project grant, the Commission is required to produce a final report.

In conclusion, the SPB has a formal and rigorous approach to monitor the Commission's activities to manage risk.

2.1.3 Approval of payments

Audit criterion: *Financial and non-financial reporting of the Commission is reviewed and approved in support of payments.*

As a condition for payments, the Commission must meet reporting requirements specified in the Funding Agreements. The level of analysis performed by the SPB on information provided by the Commission is supported by checklists to provide adequate guidance to staff performing this function. Following the analysis of the information received, briefing packages are prepared and sent to senior management for information and approval.

Authorities for financial administration are delegated to program managers through delegation documents: the *Delegated Financial Signing Authorities* (chart signed by the Minister), the *Delegation of Financial Signing Authorities Policy* and specimen signature cards.

Expenditure management is governed by compliance to three specific sections of the *Financial Administration Act* (FAA), Section 32 represents the expenditure initiation and commitment authority, Section 34 represents the contract performance, and Section 33 corresponds to the payment authority. Sections 32 and 34 are program management responsibilities.

Departments must establish policies and procedures that will ensure an adequate level of control over delegated authorities and that persons with these authorities are well informed of their responsibilities in this regard.

The auditors assessed the processes that are in place to support ongoing compliance to Sections 32 and 34 of the FAA prior to authorising payments. The audit included testing of 27 transactions representing expenses incurred during the two-year period covered by the audit. For all transactions tested, it was observed that there was no documentation identifying the responsible manager who committed the funds under Section 32 of the FAA. A similar observation was made to the SPB in the internal audit report titled "Audit of the Management Control Framework for Contribution Programs", dated June 2011. The resulting recommendation called for funding approval documents to explicitly identify the managers that initiate expenditures against their budgets. AAB is satisfied with the planned actions aimed at addressing this recommendation. Therefore, no further recommendation is made in the current report.

In conclusion, except for the observations made above, financial and non-financial reporting of the Commission is reviewed and approved in support of payments.

2.1.4 Performance measurement

Audit criterion: *SPB management ensures that the Commission has conducted an evaluation of its work with a directive to assess implementation from July 2007 to December 2010, as per the Funding Agreements, and takes into consideration the recommendations therein.*

The two funding proposals related to this funding require an independent evaluation by the Commission with the objective of assessing progress made towards the achievement of its mandate. This requirement was reflected in the Funding Agreements and was completed in fiscal year 2010-11. This process was overseen by an evaluation steering committee in which the SPB participated. The Steering Committee played a role in reviewing the request for proposals, selecting the consultant, reviewing the methodology, results and the final report.

The resulting report, which was provided to Health Canada in April 2011, included seven recommendations to improve the way the Commission aligns its vision and mandate with Canada's mental health sector, for continued success in the future.

The Commission's website indicated acceptance of all evaluation recommendations and stated that all areas of concern were being addressed. It is also mentioned that progress will be reported in the Annual Report, in the board of directors' reports and in the Annual Business Plan. This being said, at the time of the audit, the Commission had not yet developed a plan detailing the actions and the related accountabilities and timelines that would demonstrate how the Commission will address the issues identified in the recommendations. Such a plan would allow the SPB to better monitor the actions implemented by the Commission.

In conclusion, SPB Management has ensured that the Commission has conducted an evaluation. However, a detailed plan remains to be developed in order to ensure that timely actions are taken in response to its recommendations.

Recommendation 1

It is recommended that the Assistant Deputy Minister of the Strategic Policy Branch request that the Commission develop an action plan reflecting the evaluation delivered in April 2011 and that monitoring be done by the Branch to verify the implementation of its recommendations and corresponding corrective actions.

Management response

Management agrees with the recommendation.

SPB will work with the Mental Health Commission of Canada to develop and formalize an action plan to address the findings of the independent evaluation.

SPB will develop a monitoring tool to track the Commission's progress against the action plan and will integrate this tool into its existing monitoring framework.

2.2 Compliance with the terms and conditions of the Funding Agreements

2.2.1 Controls and management practices

Audit criterion: *The Commission's controls and management practices are in compliance with the terms and conditions of the Funding Agreements, and support due regard for economy and efficiency in spending decisions.*

This criterion examines the extent to which economy and efficiency are considered when using funding in accordance with the terms of the Funding Agreements. As such, the audit examined the existence of the Commission's policies on procurement, remuneration and travel.

Procurement and delegation of authority

Given that approximately 71% of the Commission's expenditures for fiscal year 2010-11 relate to services from third parties (project partners and service providers) delivering project components and to suppliers of goods and services, the procurement policy and procedures were deemed very significant.

Documentation on procurement includes a guide to project initiation and implementation, which comprises a description of responsibilities, guidelines for the initiation, review and selection of goods and services, and templates for requests for proposals and applications. The Commission also developed a procurement policy in September 2007 and revised it in September 2010 and in June 2011.

The *Procurement Policy* stipulates that, when the estimated value of purchases is less than \$25,000, competitive procurement is encouraged, although not mandatory. A competitive process involving invitations being sent to at least three potential bidders is required for purchases of an estimated value of less than \$100,000 but greater than \$25,000. Purchases of goods and services with an anticipated value of \$100,000 or more must be posted on appropriate public websites for competition. Furthermore, all contracts and invoices need to be approved by the responsible managers based on the appropriate delegated authority.

The Commission has also established policies such as an expense authorization and delegation policy. This policy has been revised to reflect changes in the organization over time.

In conclusion, the Commission's procurement policy and delegation of authorities are in compliance with the terms and conditions of the Funding Agreements and support due regard for economy and efficiency in spending decisions.

Compensation

Documents were developed to provide directives and guidance relating to human resource management, including a guideline on compensation as well as checklists and templates.

The Commission reviews salary levels with similar positions in the workforce on a periodic basis to ensure competitiveness. Each year, supervisors review employee performance and make recommendations with respect to base salary adjustments. The Chief Executive Officer (CEO) and Chief Financial and Administrative Officer sign-off on all adjustments.

The Commission has also developed an incentive compensation program for its executives, which is based on key performance indicators aligned with strategic objectives. The program describes the purpose, principles, eligibility and structure but allows flexibility on the evaluation process, which is managed by the CEO. Several parties such as peers and employees take part in the evaluation process through consultation. The information gathered is then summarized by the human resource Manager and forwarded to the CEO to establish the incumbent's performance objectives for the upcoming year. The Board of directors then approves the incentive level up to 10% of the base salary.

In conclusion, the Commission's guidelines on compensation are adequate and support due regard for economy and efficiency in spending decisions.

Travel

A travel policy was established and approved in January 2008. It applies to the Board of directors, the advisory committees, the employees, and the individuals authorized to travel on behalf of the Commission. It contains several elements found in the *Travel Directive of the National Joint Council for Civil Servants*, such as allowances for meals and incidental expenses, use of personal vehicles and caregiver expenses.

In October 2010, a policy extension was adopted on attendance at international conferences and meetings, requiring justification and pre-approvals for such trips.

In conclusion, the Commission's travel policy is satisfactory and shows due regard for economy and efficiency.

2.2.2 Use of funds

Audit criterion: *The Commission uses funds as per the terms and conditions and for the purposes intended in the Funding Agreements.*

A total of 60 transactions were selected, based on risk and materiality, from expenses incurred during fiscal years 2009-10 and 2010-11 under all categories. These cost categories are: direct client services (project partners), salaries and benefits, services, travel, occupancy, meetings and events and materials.

All expenses incurred have to be approved by the Commission in accordance with the internal policies and guidelines established by the Board of directors. The testing of transactions demonstrated that the expenses claimed under the Funding Agreements were supported by approved invoices and were reported in the correct financial period.

However, there were exceptions. For two travel claims out of the 11 tested, expenses were paid by a credit card statement of account or receipt with no supporting documents providing details on the expenses. Also found were two other claims in which managers had authorized their own travel expenses. This practice is nonetheless explicitly

prohibited by the Commission's travel policy. Although the amounts involved were not significant, the above-noted instances pose the risk of paying for expenses that are not eligible as per the Policy.

In conclusion, the Commission uses funds as per the terms and conditions, and for the purposes intended, in the Funding Agreements. However, there is a need for improvement in the approval and documentation of travel expenses.

Recommendation 2

It is recommended that the Assistant Deputy Minister of the Strategic Policy Branch request that the Commission strengthen its controls around travel expenses and promote adherence to its travel policy.

Management response

Management agrees with the recommendation.

SPB is aware of the Commission's travel policy and expects adherence to this policy.

SPB will request that the Commission strengthen its accountability around travel expenses and promote adherence to their existing travel policies, which prohibits the practice of self-authorizing claims.

2.2.3 Reporting requirements

Audit criterion: *The Commission maintains its financial records and provides reports in accordance with the Funding Agreements, namely: an annual corporate plan, a business plan, an annual report and auditable financial statements which should be prepared according to Generally Accepted Accounting Principles.*

Article 4.4 of the project grant's funding agreement requires that the Commission hold, invest and disburse its funds separately from those under the operational grant. In addition, the Commission must provide the expenses by cost category of the project grant versus the operational grant in its annual report, as required by each Funding Agreement. For the fiscal years under audit, this information has been provided annually to the SPB only using a separate audited schedule of expenses, outside of the Annual Report. Although this practice has been accepted by the SPB, this means that the Annual Report does not present expenses for each grant.

The 2009-10 and 2010-11 annual reports were prepared and submitted to the Minister within 120 days of fiscal year end and have been made available to the public on the Commission's website. The objectives of the Commission, its accomplishments, its achieved outcomes and its auditable financial statements are provided in the annual reports.

The Commission's financial statements are prepared in accordance with *Canadian Generally Accepted Accounting Principles* and audited by an independent auditor. Confirmation from the external auditors indicated that no management letter was issued during fiscal year 2009-10 and 2010-11, and that the Commission cooperated fully during the audits.

Article 7.2.2 of the project grant's Funding Agreement requires the disclosure of the total remuneration paid, including any fee allowance or other benefit to the Commission's management team involved in the deployment or the execution of the purpose of the Agreement. The operational grant does not have such a condition. In similar funding agreements administered by Health Canada, this has been understood as the disclosure of the total remuneration paid to senior management, either in a note to the audited financial statements or elsewhere in the Annual Report. The Commission has reported salaries and benefits of all staff in its financial statements as an amalgamated figure without disclosing separately the portion paid to the Commission's management team involved directly or indirectly with the activities of the project grant.

In conclusion, with the exception of the issues noted above, the Commission maintains its financial records and provides reports in accordance with the Funding Agreements, namely: an annual corporate plan, a business plan, an annual report, and annual financial statements prepared according to *Generally Accepted Accounting Principles*.

Recommendation 3

It is recommended that the Assistant Deputy Minister of the Strategic Policy Branch:

- *seek the Commission's agreement to disclose in its annual report, its financial results pertaining to the separate activities covered by the project grant; and*
- *request that the Commission disclose, in its annual report the total remuneration paid, including any fee allowance or other benefits, to the management team involved in the activities of the project grant.*

Management response

Management agrees with the recommendation.

SPB will clarify with the Commission the reporting requirements in future annual reports in order to comply with the requirements of the project grant.

2.2.4 Communication requirements

Audit criterion: *The Commission's communication activities are in accordance with the terms and conditions of the Funding Agreements, namely: the acknowledgement of funding, information provided to the Minister on upcoming events, the sharing of the communication strategy and the official languages.*

Acknowledgement of funding

The Commission's Public Affairs Department is responsible for ensuring that all publications issued by the Commission contain the information as required in the Funding Agreements. The mandatory statements such as the acknowledgement of funding and a disclaimer appears on the material developed for public distribution, including the newsletters, brochures, promotional activities and in the website.

In conclusion, the Commission's acknowledgement of funding is in accordance with the Funding Agreements.

Information provided to the minister on upcoming events

The evidence of pre-event communications and invitations allowing the federal government to arrange Government of Canada representation was evidenced in the documentation provided to the auditors. The Commission contacts Health Canada prior to public ceremonies and announcements.

In conclusion, the Commission provides information to the Minister on upcoming events in accordance with the Funding Agreements.

Official languages

A policy on official languages was developed and approved by the Board of directors in 2008. It provides operating standards and approaches to ensure that the requirements with respect to official languages as per the Funding Agreements are well known and planned. A translator has been hired to ensure translation quality. Tests indicated that the Commission had provided oral and written communications to the general public in both official languages of Canada.

In conclusion, the Commission complies with the terms and conditions of the Funding Agreements dealing with the official languages.

2.2.5 Legislation and policies

Audit Criterion: The Commission complies with the federal legislation and policies stipulated in the agreements, namely: privacy and confidentiality, conflict of interest, ethics, benefits to current or former public servants or public office holder, intellectual property, registration of lobbyists and the investment framework.

Privacy and confidentiality of personal information

The Commission's *Code of Conduct* contains a confidentiality and privacy of information clause that states that information relating to the Commission must be treated in accordance with the Commission's *Personal Information Protection Policy* and *Access to General Records Policy* and related procedures. That Policy goes on to state that all individuals shall maintain the confidentiality of all non-public information entrusted to them about the Commission, its business and affairs as well as any other information

about the Commission that comes to them from whatever source and shall make no use of it other than to further the Commission's interests except where disclosure is authorized by the Commission or is mandated legally.

All employees and contractors are required to sign off on their understanding of the confidentiality and privacy policies (including directors and advisory committee members).

In conclusion, the Commission's *Personal Information Protection Policy* and *Access to General Records Policy* are in accordance with the terms and conditions of the Funding Agreements.

Conflict of interest and ethics

The Commission has developed policies relating to conflicts of interest as well as a code of conduct. Compliance to those documents is expected of all employees, board members, advisory committee members, as well as contractors.

The project grant agreement's section 14.1 stipulates that the conflict of interest policy and *Code of Conduct* must be made available to the public. However, these documents are only made available on the Commission's intranet and consequently have yet to be made available to the public. Additionally, the conflict of interest policy for employees, though on the Commission's intranet, is not accessible to all employees due to limited access rights.

In conclusion, the Commission's conflict of interest policies as well as its *Code of Conduct* are in accordance with the terms and conditions of the Funding Agreements with the exceptions noted above.

Recommendation 4

It is recommended that the Assistant Deputy Minister of the Strategic Policy Branch seek the Commission's commitment to make its conflict of interest policies and Code of Conduct available to all employees and the public.

Management response

Management agrees with the recommendation.

SPB will request that the Commission's conflict of interest policies and the *Code of Conduct* are made available to all employees and the public.

Benefits to current or former public servant or public office holder

The Board of directors is composed of a chair, directors representing federal/provincial/territorial governments (government directors), and directors from

outside government (non-government directors). The composition of the Board is made public on the Commission's web site.

The Commission developed a *Governance Policy Manual* to provide key information on governance policies and practices to board members, advisory committee chairs and members as well as staff. This tool provides an overview of all policies, key legal documents and agreements including the requirement that no member of the House of Commons or of the Senate of Canada be allowed to benefit from the grants or become a board member.

The audit determined that the Commission was in compliance with the *Governance Policy Manual*. During the audit, no evidence was identified indicating that the Commission had authorized a member of the House of Commons and/or the Senate of Canada to be admitted to any share or part of the funding under the Funding Agreements or to any benefits arising thereof or to be a board member.

In conclusion, the Commission complies with the federal legislation and policies in regards to benefits to current or former public servants or public office holder.

Intellectual property

Since the Commission hires third parties to deliver portions of their projects, service agreements are signed between the parties outlining the terms and conditions of work to be performed. The Commission has developed templates for the agreements that include a section stating that all deliverables created with Health Canada funds are owned by the Commission.

In conclusion, the Commission's *Policy on Intellectual Property* is in accordance with the terms and conditions of the Funding Agreements.

Registration of lobbyists

The Commission registers lobbying activities with the Office of the Commissioner of Lobbying of Canada through the *Lobbyists Registration System* to comply with the *Lobbying Act*. Within the Commission, there is an internal process for identifying reportable interactions, as defined on the Office of the Commissioner of Lobbying website, and subsequently for reporting these interactions. An internal staff committee on government relations helps develop and communicate internal policies related to lobbying activities and the *Lobbying Act*. The audit established that lobbying activities were tracked and registered through the *Lobbyists Registration System*, in compliance with applicable legislation and the Funding Agreements.

In conclusion, the Commission complies with the Funding Agreements in regards to the registration of lobbyists.

Investment framework

The Commission received funding for the project grant in 2008-09 and receives instalments for the operational grant on a monthly basis. The Commission must administer and invest funding received prudently in accordance with the Investment Framework in Appendix A of the project funding agreement.

The Commission established an investment committee composed of three board members with knowledge in investment matters who meet three times a year or more frequently if required. The services of an independent investment advisor were recommended by the Committee and approved by the Board of directors to provide advice on an investment strategy.

Appendix A of the project grant requires that the Commission establish a written statement of investment policy and an investment strategy. To that end, the Commission has prepared its investment policy in collaboration with an advisor from a financial institution.

The project Funding Agreement and the Commission's quarterly cash flow requirements were reviewed by the independent investment advisor to ensure that the investment decisions comply with the Funding Agreement in regards to types and quantitative limits of investments permitted and that the maturities of securities align with the Commission's cash flow schedule. Every month, the Commission receives a statement showing the types of investment made, interest rates, maturity dates, ratings, face values, purchase costs and interests earned. The Investment Committee ensures that the investments meet the cash flow and Funding Agreement requirements. The Board of directors is updated on the investment results at every meeting.

In conclusion, the Commission complies with the investment framework of the project funding agreement.

3. Conclusion

The audit concludes that:

- the Strategic Policy Branch's Management Control Framework is effective in managing and monitoring the two Funding Agreements with the Mental Health Commission of Canada. This is demonstrated more specifically through its compliance to the Funding Agreements with the funding proposals and the *Directive on Transfer Payments*, its approach to monitoring and managing risk, its review and approval of documentation in support of payments and, through the requirement for an evaluation by the Commission; and
- that the Commission has complied with the terms and conditions of the Funding Agreements, more specifically through controls and management practices that support due regard for economy and efficiency, its use of funds, its maintenance of financial records, reporting and its compliance with federal legislation and policies.

However, the following areas of improvement require attention by SPB management:

- development of an action plan by the Commission in response to the independent evaluation recommendations and the monitoring by the SPB of the Commission's progress in implementing actions;
- strengthening of the Commission's controls around travel expenses and adherence to its travel policy;
- inclusion of both financial results and remuneration and other benefits paid to the Commission's management team pertaining to the activities covered by the project grant in the Commission's Annual Report; and
- sharing by the Commission of its conflict of interest policies and *Code of Conduct* with all employees and the public.

Appendix A - Lines of enquiry and audit criteria

Audit of Grants to the Mental Health Commission of Canada Audit Criteria Description	
Criteria Title	Audit Criteria
<i>Line of enquiry 1: The Strategic Policy Branch (SPB) has put in place an effective Management Control Framework for the monitoring of the Funding Agreements.</i>	
1.1 Terms and conditions of the Funding Agreements	The Funding Agreements comply with the funding proposals and the <i>Directive on Transfer Payments</i> (October 2008) pertaining to the terms and conditions for grants.
1.2 Monitoring activities and risk management	The SPB has a formal and rigorous approach to monitor the Commission's activities to manage risk.
1.3 Approval of payments	Financial and non-financial reporting of the Commission is reviewed and approved in support of payments.
1.4 Performance measurement	SPB Management ensures that the Commission has conducted an evaluation of its work, with a directive to assess implementation from July 2007 to December 2010 as per the Funding Agreements, and takes into consideration the recommendations therein.
<i>Line of enquiry 2: The Commission complies with the terms and conditions of the Funding Agreements.</i>	
2.1. Controls and management practices	The Commission's controls and management practices are in compliance with the terms and conditions of the Funding Agreements, and support due regard for economy and efficiency in spending decisions.
2.2 Use of funds	The Commission uses funds as per the terms and conditions and for the purposes intended in the Funding Agreements.
2.3 Reporting requirements	The Commission maintains its financial records and provides reports in accordance with the Funding Agreements, namely: an annual corporate plan, a business plan, an annual report and auditable financial statements which should be prepared according to <i>Generally Accepted Accounting Principles</i> .
2.4 Communication requirements	The Commission's communication activities are in accordance with the terms and conditions of the Funding Agreements, namely: the acknowledgement of funding, the information provided to the Minister on upcoming events, sharing of the communication strategy and the official languages.
2.5 Legislation and policies	The Commission complies with the federal legislation and policies stipulated in the agreements, namely: privacy and confidentiality, conflict of interest, ethics, benefits to current or former public servants or public office holder, intellectual property, registration of lobbyists and investment framework.

Appendix B - Board members ²

Government directors:

Director	Jurisdiction
Michael Kirby, Mental Health Commission of Canada (MHCC) Chair	Province of Ontario
Patrick Dion, Government of Ontario	Province of Ontario
Dan Florizone, Government of Saskatchewan	Province of Saskatchewan
Dana Heide, Government of the Northwest Territories	Northwest Territories
Kevin McNamara, Government of Nova Scotia	Province of Nova Scotia
Milton Sussman, Government of Manitoba	Province of Manitoba
Glenda Yeates, Health Canada	Federal Government

Non-government directors:

Director	Jurisdiction
Louise de Bellefeuille, Jewish General Hospital	Province of Québec
Jeannette LeBlanc, PhD	Province of New Brunswick
Andy Cox, Izaak Walton Killam (IWK) Health Centre	Province of Nova Scotia
David S. Goldbloom, MD, MHCC Vice Chair, Centre for Addiction and Mental Health	Province of Ontario
Joan Edwards Karmazyn, National Network for Mental Health	Province of Ontario
James Morrissey, Ernst & Young LLP	Province of Ontario
Mary May Simon, Inuit Tapiriit Kanatami	Province of Québec (Nunavik)
Fern Stockdale Winder, PhD, MHCC Vice Chair, Saskatoon City Hospital	Province of Saskatchewan
Chris Summerville, Manitoba Schizophrenia Society Inc.	Province of Manitoba
Lorraine Breault, PhD, University of Alberta	Province of Alberta
Madeleine Dion Stout, Dion Stout Reflections Inc.	Province of British Columbia
J. Michael Grass	Province of Ontario
Manitok Thompson, Harvest Moon Acoustics	Province of Alberta and Nunavut

² Source: Mental Health Commission of Canada's 2010-2011 Annual Report