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Management Control Frameworks of Third Party Delivery Programs

Office of the Chief Audit and Evaluation Executive
Audit and Assurance Services Directorate

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Executive Summary

Introduction

The Department of Canadian Heritage (PCH) plays a vital role in the cultural and civic life of Canadians. PCH's main activities, which represent approximately 80 percent of its total budget, involve funding community and other third party organizations to promote the benefits of culture, identity and sport for Canadians. While the majority of programs are administered directly by PCH staff, an alternative delivery model is used in some cases consisting of third party delivery arrangements. These arrangements are usually selected when specialized knowledge specific to the programs is not available within PCH. In the context of this audit, a third party is an organization that receives funding from PCH for the delivery of one or more PCH's programs and disburses these funds to one or multiple ultimate recipients in compliance with the agreement with PCH.

The authority for this audit is derived from the Multi-Year Risk-Based Audit Plan 2012-2013 to 2014-15 which was recommended by the Departmental Audit Committee (DAC) and approved by the Deputy Minister in March 2012.

The objective of the audit is to provide senior management assurance on the adequacy and effectiveness of governance, risk management practices, and internal controls used to deliver PCH's third party delivery programs. The audit has three sub-objectives:

1. To assess the effectiveness of PCH's management control framework and practices in place to oversee and to identify, manage and mitigate key risks related to third party delivery programs.
2. To assess the effectiveness and efficiency of key controls over the monitoring of third party delivery organizations' financial and operational performance in compliance with PCH expectations.
3. To assess the extent to which the third party delivery programs are managed consistently across PCH and in compliance with relevant PCH and central agency policies, guidelines, and expectations for transfer payment and third party delivery arrangements.

The scope of this audit covered PCH's third party delivery program management practices in place from the period from April 2011 to the completion of audit fieldwork in March 2013. The audit excluded the assessment of management practices and controls within the Canada Media Fund Program, as this program was audited separately in January 2013. The audit also excluded programs under the Sport Canada Branch that are managed by external parties, as the majority of these consist of provincial or municipal

government agreements, and, as such, do not meet the definition of third party delivery¹ being used for this audit.

Key Findings

Strengths

Throughout the audit work, the audit team observed several examples of how governance structures, risk management practices, and internal controls are properly designed and applied effectively. This resulted in several observed strengths which are listed below:

- Roles and responsibilities for third party delivery program management are well defined and understood;
- Program management receives frequent communications, both formal and informal, from the third party delivery organizations on financial and performance results to enable oversight and monitoring of each program and to further their understanding of issues and challenges as they arise;
- Activity and financial reports received from third party delivery organizations are regularly reviewed and tracked for compliance against the terms and conditions of their contribution agreement;
- Each of the programs examined had completed a Project Risk Assessment and Management Tool (PRAM) to assess the level of risk of program funding being used for unintended purposes and to determine appropriate mitigation strategies. In addition, the Centre of Expertise (CoE) performs a secondary review of moderate or high risks which provides additional validation on the reasonableness of risk mitigation strategies;
- Program management obtains advice and input from various sources, including legal counsel and the CoE, in designing key elements of the programs;
- The payment process and supporting tools used by third party delivery programs are documented and are consistent with the guidelines developed by the CoE;
- Payments to third party delivery organizations are accurate, supported, and properly authorized in accordance with PCH policies and guidelines;
- Performance measurement frameworks were developed and implemented at the inception of each program that are aligned with program objectives and expected results. Program management regularly reviews program performance against defined performance indicators.

¹ A third party is an organization that receives funding from PCH for the delivery of one or more PCH's programs and disburses the funds to one or multiple ultimate recipients in compliance with the agreement with the Department

Governance, Risk Management and Internal Control

The results of the audit indicate that effective governance structures have been established for oversight of PCH's third party delivery programs, effective mechanisms are in place to identify, measure, and mitigate risks, and effective internal controls for the management of PCH's third party delivery programs are in place.

Management Response and Action Plan

Management accepts the observations and related content as presented in the report and recognizes that an action plan is not required given that no recommendations are cited.

Statement of Conformance

In my professional judgment as Chief Audit and Evaluation Executive, the audit was conducted in accordance with the Internal Auditing Standards for the Government of Canada. A practice inspection has not been conducted.

Audit Opinion

In my opinion, PCH's third party delivery programs are well managed, with effective governance, internal controls, and risk management practices.

Richard Willan

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1. Introduction and Context

1.1 Authority for the Project

The authority for this audit is derived from the Multi-Year Risk-Based Audit Plan 2012-2013 to 2014-15 which was recommended by the Departmental Audit Committee and approved by the Deputy Minister in March 2012.

1.2 Background

PCH plays a vital role in the cultural and civic life of Canadians. PCH's main activities, which represent approximately 80 percent of its total budget, involve funding community and other third party organizations to promote the benefits of culture, identity, and sport for Canadians.

The majority of programs are administered directly by PCH staff (direct delivery method) who are tasked with the ongoing management of programs as it relates to the monitoring and management of grant and contribution agreements. However, an alternative delivery model used in some cases consists of third party delivery arrangements. These arrangements are usually selected when specialised knowledge specific to the program is not available within PCH. In the context of this audit, a third party is an organization that receives funding from PCH for the delivery of one or more of PCH's programs and disburses the funds to one or multiple ultimate recipients in compliance with the agreement with PCH. Under the seven programs, from which one was excluded from the audit, the following 13 program components are presently delivered by third party delivery organizations:

| Programs | Programs Component | | Recipient Organization | Total PCH Contribution |
|-----------------|---------------------------|--|-------------------------------|--------------------------------|
| 1 | 1 | Canada Book Fund | Livres Canada Books | \$ 3,065,094 |
| 2 | 2 | Canada Media Fund – Convergent (1) | Canada Media Fund Corporation | \$134,100,000 |
| | 3 | Canada Media Fund - Experimental (1) | Canada Media Fund Corporation | |
| 3 | 4 | Canada Music Fund – New Musical Works | FACTOR and Musicaction | \$ 31,340,920 \$ 20,893,950 |
| | 5 | Canada Music Fund – Collective Initiatives | FACTOR and Musicaction | \$ 10,041,823 \$ 6,818,322 |
| | 6 | Canada Music Fund – Creators' Assistance | SOCAN | \$ 5,221,270 |

| | | | | |
|---|----|--|---|---------------|
| 4 | 7 | Aboriginal People's Program – Aboriginal Language Initiative (ALI) | First Peoples' Heritage, Language and Culture Council | \$ 833,950 |
| 5 | 8 | Official Language Rights Support Program | University of Ottawa | \$ 7,500,000 |
| 6 | 9 | Court Challenge Program | The Court Challenges Program of Canada | \$5,000,000 |
| 7 | 10 | Young Canada Works (YCW) at Building Careers in Heritage | 5 organizations (see below) | \$ 15,188,817 |
| | 11 | YCW in Heritage Organizations | | |
| | 12 | YCW in Both Official Languages | 6 organizations (see below) | \$7,112,837 |
| | 13 | YCW at Building Careers in English/French | | |

(1) The Canada Media Fund was subject of a separate audit and is not included in the scope of this audit.

Canada Book Fund:

The Canada Book Fund (CBF) is managed by the Cultural Industries Branch. The principal objective of the CBF is to ensure access to a diverse range of Canadian-authored books in Canada and abroad. The program seeks to achieve this objective by fostering a viable Canadian book industry that publishes and markets Canadian-authored books.

A portion of the Canada Book Fund's export marketing support to publishers is delivered by a third party, Livres Canada Books (LCB), formerly the Association for the Export of Canadian Books (AECB). LCB is an industry association that helps Canadian book publishers develop and increase their sales in international markets by providing market intelligence as well as financial, promotional and logistical support.

The contribution agreement with LCB is for a period of two years extending from April 1, 2011 to March 31, 2013 for a total maximum amount of \$3,065,094.

Canada Music Fund:

The Canada Music Fund (CMF) is a program comprised of five complementary components: Creators' Assistance Component, New Musical Works Component, Collective Initiatives Component, Music Entrepreneur Component, and Canadian Music Memories Component. These components are designed to support all levels of the Canadian sound recording industry. The CMF implements the Canadian sound recording policy, *From Creators to Audience*, which seeks:

- To enhance Canadians' access to a diverse range of Canadian music choices;
- To increase the opportunities available for Canadian music artists and entrepreneurs; and,
- To ensure that Canadian music artists and entrepreneurs have the skills, know-how and tools to succeed in a global and digital environment.

Three of the five components are in part delivered by third party organizations as described below:

- **New Musical Works Component:** This component is delivered by two third party organizations, the Foundation Assisting Canadian Talent on Recordings (FACTOR), which delivers the English language portion of this program component, and La Fondation Musicaction (Musicaction) which delivers the French language portion. The contribution agreement with FACTOR for this component is for a maximum amount of \$31.3 million. The contribution agreement with Musicaction is for a maximum of \$20.9 million. Both agreements are for a five year period extending from April 1, 2010 to March 31, 2015.
- **Collective Initiatives Component:** The Collective Initiatives component is delivered by FACTOR for the English language portion and by Musicaction for the French language portion. The contribution agreement with FACTOR for this component is for a maximum amount of \$10 million. The contribution agreement with Musicaction is for a maximum of \$6.8 million. Both agreements are for a five year period extending from April 1, 2010 to March 31, 2015.
- **Creator's Assistance Component:** This component is delivered by the Society of Composers, Authors and Music Publishers of Canada (SOCAN) Foundation on behalf of PCH. However, as part of Budget 2012, this component ceased its activities on March 31, 2013. The contribution agreement with SOCAN was for a period of four years extending from April 1, 2010 to March 31, 2014 for a maximum amount of \$5,221,270.

Aboriginal People's Program:

Effective April 1, 2012, three components of the Aboriginal People's Program (APP) were transferred to Aboriginal Affairs and Northern Development Canada (AANDC). Specifically, the Aboriginal Friendship Centre Program (AFCP), the Cultural Connections for Aboriginal Youth (CCAY) program and the Young Canada Works for Aboriginal Urban Youth (YCWAUY) program are now administered by AANDC. This transfer substantially reduced the APP budgets administered by PCH from approximately \$56 million to \$18 million annually.

PCH still manages a portion of the APP by offering six funding elements to eligible Aboriginal organizations. One of these elements, the Aboriginal Language Initiative (ALI), aims to support the preservation and revitalization of Aboriginal languages for the benefit of Aboriginal peoples and other Canadians. A portion of this program is delivered by a third party organization, the First Peoples' Heritage Language and Culture Council, which administers the ALI on behalf of PCH for the British Columbia Region. The contribution agreement with the Council extends from April 1, 2012 to March 31, 2013 and is for a total of \$833,950.

Official Language Rights Support Program:

The Official Language Rights Support Program (LRSP) was established in December 2009 to replace the Court Challenge Program which is currently being phased out. The program offers access to alternative dispute resolution processes to settle language rights disputes as well as to support litigation in cases where disputes cannot be resolved out of court. The LRSP is delivered by the University of Ottawa's Official Languages and Bilingualism Institute (OLBI) and the Faculty of Law.

The contribution agreement for the LRSP is for a total of \$7.5 million from April 1, 2012 to March 31, 2017 with a maximum of \$1.5 million annually.

The Court Challenges Program:

The Court Challenges Program (CCP) was established by the Secretary of State in 1978 to provide funding to citizens and groups in order to assist them in bringing important linguistic challenges to the attention of the courts. Following the adoption of the Canadian Charter of Rights and Freedoms in 1982, the CCP was expanded to include language rights covered by the Charter and equality rights as they relate to federal legislation, policies, and practices.

On September 25, 2007 funding for new beneficiaries was terminated. Giving the fact that the program is winding down, the Government committed to support beneficiaries approved on or before this date to fund ongoing legal actions until court resolution in accordance with the objectives and criteria established for the Program.

The Court Challenges Program is delivered by the Court Challenges Program of Canada, a not-for-profit organization that was established in 1994 to provide financial assistance for important court cases that advance language and equality rights guaranteed under Canada's Constitution. The contribution agreement for the Court Challenges Program is for a maximum of \$5.0 million for the period extending from April 1, 2010 to March 31, 2015.

Young Canada Works:

The Young Canada Works (YCW) program sponsors two summer job programs for students and two internship programs for unemployed or underemployed college or university graduates. The Heritage Branch is responsible for the Young Canada Works in Heritage Organizations (YCWHO) and the Young Canada Works at Building Careers in Heritage (YCW BCH). The YCWHO provides secondary and post-secondary students opportunities to acquire hands-on experience and explore career opportunities in the heritage sector. The YCW BCH offers graduate heritage-centered internships to build career-related skills and abilities. Both components are delivered by the following five third party organizations:

| Delivery Organizations - YCW Program Components for Heritage | Maximum Contribution | Term |
|--|-----------------------------|---------------------------------|
| The Canadian Museums Association | \$ 12,693,408 | April 1, 2011 to March 31, 2013 |
| The Canadian Libraries Association | \$ 807,420 | April 1, 2011 to March 31, 2013 |
| L'association pour l'avancement des sciences et des techniques de la documentation | \$ 410,900 | April 1, 2011 to March 31, 2013 |
| The Canadian Council of Archives | \$ 739,489 | April 1, 2011 to March 31, 2013 |
| The Heritage Canada Foundation | \$ 573,600 | April 1, 2011 to March 31, 2013 |

The Official Languages Branch is responsible for the Young Canada Works in Both Official Languages and the Young Canada Works at Building Careers in English and French. Both components are delivered by the following third party organizations:

| Delivery Organizations - YCW Program Components for Official Languages | Maximum Contribution | Term |
|---|-----------------------------|---------------------------------|
| Association Francophone des municipalités du Nouveau-Brunswick | \$885,396 | April 1, 2012 to March 31, 2014 |

| | | |
|--|-------------|---------------------------------|
| Conseil de la coopération de l'Ontario | \$1,211,018 | April 1, 2012 to March 31, 2014 |
| Conseil de la coopération de la Saskatchewan | \$777,162 | April 1, 2012 to March 31, 2014 |
| Éducacentre Collège | \$847,040 | April 1, 2012 to March 31, 2014 |
| Fédération des chambres du commerce du Québec | \$1,145,182 | April 1, 2012 to March 31, 2014 |
| Fédération de la jeunesse canadienne-française | \$2,247,039 | April 1, 2012 to March 31, 2014 |

2. Objective

The objective of the audit is to provide senior management assurance on the adequacy and effectiveness of governance, risk management practices, and internal controls used to deliver PCH's third party delivery programs. The audit has three sub-objectives:

1. To assess the effectiveness of PCH's management control framework and practices in place to oversee and to identify, manage and mitigate key risks related to third party delivery programs;
2. To assess the effectiveness and efficiency of key controls over the monitoring of third party delivery organizations' financial and operational performance in compliance with PCH expectations; and
3. To assess the extent to which the third party delivery programs are managed consistently across PCH and in compliance with relevant PCH and central agency policies, guidelines, and expectations for transfer payment and third party delivery arrangements.

The results have been reported under governance, internal control, and risk management.

3. Scope

The scope of this audit covered PCH's third party delivery program management practices in place from the period from April 2011 to the completion of audit work in March 2013. The audit excluded the assessment of management practices and controls within the Canada Media Fund Program, as this program was audited separately in January 2013. The audit also excluded programs under the Sport Canada Branch that are managed by external parties, as the majority of these consist of provincial or municipal government agreements, and, as such, do not meet the definition of third party delivery being used for this audit.

4. Approach and Methodology

All audit work was conducted in accordance with Treasury Board Secretariat's *Internal Auditing Standards for the Government of Canada*.

Audit criteria identify the standards against which an assessment is made and form the basis for the audit work plan and conduct of the audit. Audit criteria are specific to each audit's objectives and scope. The detailed audit criteria for the audit objectives for the Audit of Management Control Frameworks of Third Party Delivery Programs are provided in Appendix A. Audit criteria were developed based on Treasury Board Secretariat's *Core Management Controls* and policies and directives of relevance to grant and contribution programs and third party delivery models, including Treasury Board's *Policy on Transfer Payments*.

The audit methodology included:

- Reviewing PCH's documentation, guidelines and procedures, policies and processes relevant to third party delivery;
- Conducting interviews with 25 representatives from PCH's third party delivery programs and the CoE;
- Reviewing a sample of interim and annual reports and related file documentation for fiscal 2011-2012 and 2012-2013;
- Reviewing a sample of payment files and transactions for fiscal 2011-2012; and
- Analyzing information obtained through documentation review and interviews.

5. Findings

This section presents detailed findings for the Audit of Management Control Frameworks of Third Party Delivery Programs. The findings are based on a combination of the evidence gathered through the examination of documentation, analysis, file testing, and interviews conducted for each of the audit criterion. Appendix A provides a summary of all findings and conclusions for each of the criteria assessed by the audit team.

5.1 Governance

The results of the audit indicate that effective governance structures have been established for oversight of PCH's third party delivery programs.

PCH has a Grants and Contributions Centre of Expertise (CoE) that provides advice and interpretation to programs on matters of due diligence and financial analysis, monitors files, provides tools and templates, and provides support and guidance to program staff throughout the grants and contributions life cycle. This structure has helped focus

program management on areas of highest risk and enables a consistent approach to the oversight and management of programs across PCH.

A standard annex to third party delivery program contribution agreements has been developed that defines the expected accountabilities of PCH and the third party delivery organizations. This annex is an important means of defining the boundaries of responsibilities between PCH and the delivery organizations to help safeguard the independence of third party delivery organizations and the accountabilities of the Crown.

Each third party delivery program's objectives articulated in the contribution agreement are clearly aligned with PCH's strategic outcomes. The achievement of individual program objectives and expected outcomes is regularly monitored through formal performance measurement strategies. The audit work confirmed that program management regularly reviews performance against the performance measurement framework.

5.2 Internal Control

The results of the audit indicate that effective internal controls for the management of PCH's third party delivery programs are in place.

Program management receives regular reporting from third party delivery organizations regarding their financial and operational performance as required under their respective contribution agreements. This formal reporting includes regular financial reports, periodic activity reports, and annual reports, including annual audited financial statements. Based on the review of a sample of financial reports, internal controls over the review and approval of financial payments under all third party delivery programs within the scope of the audit are in place and operating effectively. Based on the review of a sample of activity reports, internal controls over the review and approval of activity reports under all third party delivery programs within the scope of the audit are in place and operating effectively, and evidence of review was documented on file.

From a PCH perspective, at the inception of a program, program management is required to submit to Financial Planning and Resource Management and subsequently to the CoE a request for approval package (e.g. Terms and Conditions). The CoE also performs monitoring through the Enhanced Monitoring process, which consists of randomly selecting beneficiary files and perform monitoring to ensure that the process was consistent with PCH policies and procedures, and that the project respects the terms and conditions of the program. All other monitoring is performed by the individual program area. The CoE also reviews all published program guidelines on the PCH internet site to ensure that the information is compliant with the terms and condition of the program as approved.

PCH's Centre of Expertise includes a Learning Services unit, expected to offer tools, training, and best practices to program staff to assist them in effectively managing their

grants and contributions files. The audit confirmed that standard tools and templates have been developed and communicated to program management to help ensure consistency in approaches to third party delivery across PCH. Good practices for grant and contribution program management have been summarized at a high level in the “Grants and Contributions: Understanding the Basics” guidance. These good practices were identified in the initial development of the CoE in 2002.

In addition, the following is a description of best practices identified during the audit:

- Analysis and Review of Financial Reports: Memos to file summarizing the Program Officers’ analysis of reports submitted by the First Peoples Heritage, Language and Culture Council was noted as a best practice. The memo notes when reports were received, what was received, and how information was validated, including comparisons to previously reported information.
- Documented Procedures: The procedures for the Official Languages Support Programs processes were particularly well documented in that all files are structured under a standard and defined filing protocol. Standard templates and forms were developed to describe procedures and responsibilities by role, the process for receiving Ministerial recommendations, site visit and file review programs, and interview guides for monitoring purposes.
- Oversight Committees: For interdepartmental programs or programs of higher complexity, the development and implementation of an oversight committee, such as the YCW Secretariat, are best practices.
- Support Units: For programs having significant regional delivery components, the establishment of a support unit, such as the unit within the Official Languages Support Programs, provide additional support to ensure consistent and standard procedures and file management practices across numerous programs within a specific Branch.
- Mechanisms to Formally Assess Efficiency: The Official Languages Support Program (OLSP) and Canada Book Fund were the only programs with formal mechanisms to assess efficiency. Annually, all staff meets in a retreat to formally discuss how processes and procedures can be improved. One example of an efficiency initiative implemented was for the OLSP-creation of a decision tree with standard text to be used for specific situations to allow for more timely and consistent responses to recurring situations, thereby reducing the time required to address the issue.

As noted previously, all programs followed the standard guidance provided by the CoE.

5.3 Risk Management

The results of the audit indicated that effective mechanisms are in place to identify, measure, and mitigate risks facing the management of third party delivery programs within PCH.

Risks facing each third party delivery program and related risk mitigation activities are assessed through Integrated Business Planning processes and the development of Performance Measurement, Evaluation, and Risk Strategies (PMERS) for each program. As a standard practice, programs are expected to have a risk-based audit framework (RBAF) in place to guide the monitoring and assessment of recipient compliance with the terms and conditions of contribution agreements. The Project Risk Assessment and Management Tools (PRAMs) have been completed and documented for all programs at the inception of the program contribution agreement, as is required by PCH to satisfy the requirements of the *Policy on Transfer Payments*. PRAMs are expected to be updated during multi-year agreements if circumstances change to warrant a revision to the assessment of project risks.

In January 2013, the CoE implemented a new process to develop its Recipient Audit Plan (RAP). This process requires programs to complete a Risk Assessment Questionnaire to help to review the project, governance /management capacity, communications with the recipient, program funding, recipient history and other potential considerations of risk. This process is intended to inform the program areas' proposed plan for recipient auditing activities. Due to the fact that this process was recently implemented, this process had not yet been followed for the programs within the scope of this audit. However, this new process will further strengthen existing risk management practices across PCH. The practice of secondary review of moderate or high program risks by the CoE is a key control, as it provides additional validation to the reasonableness of risk mitigation strategies identified by program management.

Appendix A – Audit Criteria

The conclusions reached for each of the audit criteria used in the audit were developed according to the following definitions.

| Numerical Categorization | Conclusion on Audit Criteria | Definition of Conclusion |
|--------------------------|-----------------------------------|--|
| 1 | Well Controlled | <ul style="list-style-type: none"> • well managed, no material weaknesses noted; and • effective. |
| 2 | Controlled | <ul style="list-style-type: none"> • well managed, but minor improvements are needed; and • effective. |
| 3 | Moderate Issues | <p>Has moderate issues requiring management focus (at least one of the following two criteria need to be met):</p> <ul style="list-style-type: none"> • control weaknesses, but exposure is limited because likelihood of risk occurring is not high; • control weaknesses, but exposure is limited because impact of the risk is not high. |
| 4 | Significant Improvements Required | <p>Requires significant improvements (at least one of the following three criteria need to be met):</p> <ul style="list-style-type: none"> • financial adjustments material to line item or area or to the department; or • control deficiencies represent serious exposure; or • major deficiencies in overall control structure. <p>Note: Every audit criteria that is categorized as a “4” must be immediately disclosed to the CAEE and the subjects matter’s Director General or higher level for corrective action.</p> |

The following are the audit criteria and examples of key evidence and/or observations noted which were analyzed and against which conclusions were drawn. In cases where significant improvements (4) and/or moderate issues (3) were observed, these were reported in the audit report, and the exposure risk is noted in the table below.

| Audit Sub-Objective 1: To assess the effectiveness of PCH’s management control framework and practices in place to oversee and to identify, manage and mitigate key risks related to the third party delivery programs. | | | |
|--|--|-------------------|--|
| Criteria # | Audit Criteria | Conclusion | Examples of Key Evidence / Observation |
| Governance | | | |
| 1.1 | The governance framework component of programs delivered by third party organizations includes structures, processes, roles and responsibilities and accountabilities that are clear and understood. | 1 | <ul style="list-style-type: none"> Grants and Contributions CoE provides advice and interpretation to programs and enables a consistent approach to the oversight and management of programs across PCH. Roles and responsibilities of the programs are clear and adequately communicated (e.g. job descriptions, process descriptions). |
| 1.2 | Senior Management of programs delivered by third party delivery organizations receives sufficient, complete, and accurate information to inform decision-making. | 1 | <ul style="list-style-type: none"> Management receives and reviews formal and regular financial and activity reporting from third party delivery organizations. |
| 1.3 | The programs delivered by third party organizations have clearly defined and communicated strategic directions and strategic objectives, aligned with their mandates. | 1 | <ul style="list-style-type: none"> The objectives of third party delivery programs are clearly defined in contribution agreements and are consistent with PCH’s strategic outcomes. |
| 1.4 | Results expected from programs delivered by third party delivery organizations’ activities and objectives are clear, | 1 | <ul style="list-style-type: none"> A performance measurement framework has been developed and implemented that requires regular tracking and reporting on a number of |

| | measurable, communicated, and directly support the achievement of the programs objectives. | | indicators that are aligned with the objectives and expected outcomes of each program. |
|--|--|------------|--|
| 1.5 | A mechanism exists to systematically identify, assess and mitigate, monitor and report on risks to the achievement of program objectives delivered by third party delivery organizations and are documented. | 1 | <ul style="list-style-type: none"> • Program risks and mitigation strategies are formally defined at the inception of each program. • An enhanced and centralized approach to guide risk assessment and recipient auditing activities has been developed and implemented by the CoE. |
| Audit Sub-Objective 2: To assess the effectiveness and efficiency of key controls over the monitoring of third party delivery organizations' financial and operational performance in compliance with PCH expectations. | | | |
| Criteria # | Audit Criteria | Conclusion | Examples of Key Evidence / Observation |
| Internal Controls | | | |
| 2.1 | Payments made to the third party delivery organizations are accurate, adequately supported, and approved in accordance with the Contribution Agreement and the Treasury Board's <i>Policy on Transfer Payments</i> . | 1 | <ul style="list-style-type: none"> • Testing of a sample of financial payments for fiscal 2011-2012 confirmed that third party delivery program payments are accurate, adequately supported, and approved by appropriate authorities. |
| 2.2 | Expected results are monitored and communicated on a regular basis and support management decision making. | 1 | <ul style="list-style-type: none"> • Program management regularly monitors the performance of each program through their review of financial and activity reports and ongoing communications with representatives of the third party delivery organizations. |
| 2.3 | Management considers the efficiency and effectiveness control processes over the management and delivery of third party | 2 | <ul style="list-style-type: none"> • Good practices for grant and contribution program management have been summarized in CoE guidance. • A number of programs have |

| | programs, takes corrective action as necessary, and shares lessons learned with other program areas. | | further enhanced departmental tools and practices for their individual program. |
|---|--|-------------------|---|
| Audit Sub-Objective 3: To assess the extent to which third party delivery programs are managed consistently across PCH and in compliance with relevant PCH and central agency policies, guidelines, and expectations for transfer payment and third party delivery arrangements. | | | |
| Criteria # | Audit Criteria | Conclusion | Examples of Key Evidence / Observation |
| Risk Management | | | |
| 3.1 | Mechanisms are in place to monitor the third party delivery organizations' compliance with the terms and conditions of its funding agreement. | 1 | <ul style="list-style-type: none"> An enhanced and centralized approach to guide recipient auditing activities has been developed and implemented by the CoE. |
| 3.2 | PCH's program policies and guidelines are consistent with the <i>Policy on Transfer Payments</i> and other relevant central agency requirements. | 1 | <ul style="list-style-type: none"> Results of walkthroughs and Program documentation review confirmed that processes and procedures followed by the third party delivery programs are consistent with PCH and Treasury Board expectations. |
| 3.3 | Mechanisms are in place to monitor the consistency with which third party delivery arrangements are managed and delivered in accordance with PCH expectations. | 1 | <ul style="list-style-type: none"> The CoE performs a number of reviews to help ensure compliance with PCH policies, including review of applications for compliance with program terms and conditions and the enhanced monitoring process, and reviews of published program guidelines on the PCH internet site for compliance with the program terms and conditions. |