A Framework for Identifying Risk in Grant and Contribution Programs

By the Office of the Auditor General of Canada, in collaboration with Industry Canada

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1. Purpose and Scope

1.1 Purpose

The purpose of this paper is to provide managers and staff of grant or contribution programs with a tool for identifying risk. Our intent is to complement and reinforce existing government policy and direction by helping managers think critically about their current practices.

1.2 Introduction

Grants and contributions are part of the category of expenditures called transfer payments. Transfer payments are transfers of money from the federal government to individuals and to organizations of various types, including businesses or other governments. The federal government does not directly receive goods or services in return. "Other transfer payments" are a third type of transfer payments.

Grants are unconditional transfer payments. This means that if an individual or organization meets the eligibility criteria for a grant, the appropriate payment can be made without requiring the recipient to meet any other conditions. In contrast, contributions are transfer payments that are subject to performance conditions specified in a contribution agreement. The recipient must continue to show that these performance conditions are being met in order to be reimbursed for specific costs over the life of the agreement. The government can audit the recipients' use of contributions, whereas this is not a requirement for a grant.

The Main Estimates for 1999-2000 indicate planned spending of $40.3 billion on grants and contributions by departments and agencies, $26 billion of which are grants made by Human Resources Development Canada. The total amount includes both statutory and voted (or discretionary) expenditures. Statutory expenditures are those that have been given continuing authority by acts of the current or previous parliaments and therefore do not require annual parliamentary approval. Voted expenditures are those for which parliamentary authority is sought through an annual appropriation act. Voted expenditures for 1999-2000 total $14.3 billion, made up of $3.3 billion in grants and $11.0 billion in contributions.

This paper discusses risk identification for voted grants and contributions, and not statutory ones. Nevertheless, the attributes described below could be easily modified to suit statutory programs. These attributes also apply to managing grants and contribution programs delivered by third parties under alternative service delivery arrangements. In these cases, the framework can also be used by third parties themselves.

1.3 The Cornerstone – Financial Management

All managers in government are entrusted with public resources to deliver programs and services. They are responsible, and accountable, for managing those resources with prudence and probity and due regard for economy, efficiency and effectiveness.

Financial management is an important part of delivering grant and contribution programs and exercising stewardship over the resources provided to program managers.

There are three essential elements of financial management:

- **Risk management and control.** It is essential that an organization identify the risks it faces (anything that could interfere with its ability to achieve its established objectives); and that it establish a framework designed to manage and control those risks. An essential part of risk management and control is an environment that communicates the purpose, values and ethics of the organization.

- **Information.** It is essential that an organization establish procedures to manage and protect the integrity of its data and to produce the type of information needed by managers to conduct their business and account for their responsibilities. The organization must also present this information when it is needed. This element includes management of information systems and financial and non-financial (operational and program) performance information.

- **Management of resources.** This component of financial management focuses on managing and directing the organization's resources economically and efficiently to achieve corporate objectives. It includes strategic planning, analysis and support for decisions.

1.4 Risk Management

Common definition of risk is exposure to the chance of failure or loss. Everything the government does entails risk. Responsible public administration does not mean eliminating risk altogether; this is probably not possible or affordable. It simply means managing risk – deciding what kinds of risk and at what levels are acceptable in relation to expected program results, and then managing operations accordingly. Risk is always present; managing it involves awareness, acceptance and control, avoidance of certain kinds of risk to the extent possible, and diversification and risk sharing where practical.

In our view, a reasoned approach to risk is the difference between risk management and *risky* management, or between risk-taking and recklessness. The parliamentary control framework for the spending of public money provides for sensible risk-taking on condition that risks are identified and managed, not simply ignored. Every reasonable effort should be made to identify, communicate and manage risk to minimize the consequences of adverse events and maximize opportunities.

A review of the literature suggests that risk management generally involves the following steps: clarify objectives; identify risk; assess risk; treat risk; monitor and review. The ideas presented in this paper fit into the second step, risk identification. In other words, we have not addressed the entire subject of risk management in grant and contribution programs but rather have focused on providing managers with a tool to help with one of the step.

1.5 Attribute Approach to Identify Risk

The idea of "attributes" comes from the question: "how could one tell if a grant or contribution program were well-managed?". What qualities or attributes would be evident if it were? The ten attributes listed below were developed to answer these questions. Having said that, the attributes are not a recipe for action but rather represent performance ideals towards which management efforts should be directed.

The attributes of well-managed grant and contribution programs stand apart from both government policies and the terms and conditions of any specific program. While they can be used as performance criteria to assess the quality of management, managers can also use them to think through the risks associated with designing and managing these kinds of programs. It is this latter use that we discuss in this paper. An example of the former use of the attribute approach is presented in Chapter 22, *Attributes of Well-Managed Research Organizations*, of the 1999 Report of the Auditor General of Canada.

As a risk identification (and then assessment) tool, the attributes cover the critical aspects of program design and delivery. We use them here as a way of grouping related questions meant to help the reader consider what could go wrong in a program, how likely it is, and how serious it might be - in other words, to identify and assess risks as a basis for management action. Weighing the risks against expected results and deciding what to do is, of course, left up to managers.

This framework is also meant to contribute to innovation in program delivery. Innovation involves risk-taking, which in turn demands a reasoned approach to managing potential losses as well as potential gains. In our view, the framework provides that approach since it helps managers appreciate the risks being run when they attempt to do things in new, and hopefully better ways.

Attributes of a Well-Managed Grant or Contribution Program

1. Choosing the appropriate funding instrument – grant or contribution – respects and achieves a balance among principles of accountability to Parliament, favourable cost/benefit, risk management, and reasonable treatment of program recipients.
2. Program management at all levels can explain how recipients are expected to benefit from funding and to what end.
3. Program officers understand who is eligible for funding, under what conditions, for what purposes, and in what amounts.
4. Potential applicants are aware of the program.
5. Eligible projects make sense for the applicants to carry out (business case) and for the program to fund (program case).
6. More deserving projects are funded at an appropriate level.
7. Funding is used for the purposes agreed.
8. Problems with project and program performance are resolved quickly.
9. Management reporting demonstrates a good knowledge of program performance.
10. Money owed to the government is collected.

Source: Chapter 27, *Grants and Contributions: Selected Programs in Industry Canada and the Department of Canadian Heritage*, Report of The Auditor General of Canada, 1998.

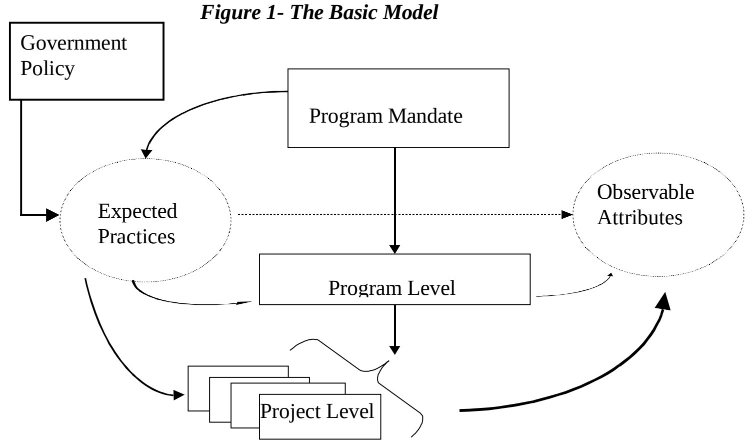
2. The Basic Model

2.1 The Model

The model attempts to establish a "line in the sand" by identifying the attributes or characteristics likely to be seen in a very well-managed grants and contributions program.

The basic model has six elements (see Figure 1). These elements start with the mandate and mission of the entity responsible for the program. The specific processes built to support the program are rooted in a set of expected *practices*, which are focused ultimately on accountability. The *practices,* derived from government policy and the accepted tenets of public administration, deal with objectives, terms and conditions, information dissemination, review and approval, monitoring, management information and, finally, program review and evaluation. These practices represent the minimum infrastructure required to be in place by, for example, enabling legislation, the Financial Administration Act and TB Policy as well as TB approved terms and conditions for the program. Working from the practices, a number of matters capable of direct observation, characteristics or what we have chosen to call *attributes* are developed which, in general, ought to be present in any well-managed grant or contribution program.

Figure 1- The Basic Model



In this model, a specific *practice* is clearly observable in more than one *attribute. Table 1 – Practices and Attributes Matrix* shows which practices are assessed by each attribute.

Table 1 – Practices and Attributes Matrix

Program Life Cycle →

Practices / ***Attributes***	Objectives	Terms and Conditions	Information Dissemination	Project Assessment and Approval	Monitoring	Management Information	Review and Evaluation
Choosing the appropriate funding instrument – grant or contribution – respects and achieves a balance among principles of accountability to Parliament, favourable cost/benefit, risk management, and reasonable treatment of program recipients.	✓	✓					
Program management at all levels can explain how recipients are expected to benefit from funding and to what end.	✓	✓					
Program officers understand who is eligible for funding, under what conditions, for what purposes, and in what amounts.	✓	✓		✓	✓	✓	
Potential applicants are aware of the program.			✓				✓
Eligible projects make sense for the applicants to carry out (business case) and for the program to fund (program case).	✓	✓		✓	✓		
More deserving projects are funded at an appropriate level.		✓	✓	✓	✓		
Funding is used for the purposes agreed.				✓	✓	✓	✓
Problems with project and program performance are resolved quickly.				✓	✓	✓	✓
Management reporting demonstrates a good knowledge of program performance.					✓	✓	✓
Money owed to the government is collected .		✓		✓	✓	✓	✓

2.2 How It Is Used

The attributes are not intended to be the "one best way" to approach grant or contribution programs. These attributes are what we think a reasonable person might expect to see in the design and delivery of a program distributing public funds if everything is working as well as possible. In other words, we focus on the signs of excellent management rather than solely on the presence of standard or even "best" practices.

For each attribute, we address a number of specific questions to managers to help them consider what risks they face. The right answer is generally self-evident. If a manager cannot answer the question, or if he/she gives the "wrong" answer, then it is possible that this is an area of risk. Determining how serious the risk might be and what to do about it is left to managers. A five point scale might be useful in assessing risk - such as little, low (monitoring needed), moderate (attention needed), unacceptable (corrective action needed), and high (action critical) – and in setting priorities for action. What to do to manage the risk is left to managers to decide. It requires a decision on whether the cost of mitigating the risk is worth the benefit.

Our model does not address organizational management or human resource issues directly. We focus only on managing the work of grant and contribution programs. Nevertheless, the model should be seen in context - that is, integrated fully with the organization's management systems and practices. We encourage managers to add attributes addressing other matters of interest to them. Chapter 22, *Attributes of Well-Managed Research Organizations*, of the 1999 Report of the Auditor General of Canada presents an example of a comprehensive set of attributes covering work management, leadership, people management, and organizational performance.

3. The Attributes

3.1 The Funding Instrument – Making Choices

The choice of funding instrument – grant or contribution – respects accountability to Parliament and achieves a balance among principles of cost-benefit, risk management, and reasonable treatment of program recipients.

The choice between a grant or a contribution program as a means to achieve policy objectives is made when designing the program. This choice should take into account the key attributes of both funding instruments, balancing the degree of flexibility required by program managers and the potential recipients, management's tolerance for risk, the level of monitoring envisaged, the cost of administering the program, and the need for audit. The greater the need for control, monitoring and follow-up to ensure that recipients fulfil program objectives, the more appropriate is the use of contributions over grants.

Government policy requires that, with some specific exceptions, all contributions to business be repayable. The choice of contribution or repayable contribution depends on the objectives of support, and whether the contribution increases the business's ability to generate profits or increases the value of the business. For a high-risk business venture or highly speculative project, the government expects to share equitably in the financial return. The Treasury Board's policy on repayable contributions should be taken into account in setting the repayment terms.

Can you explain:

- What the essential purpose of the program is – in other words, why do it?
- How the funding instrument is supported in the department's authorities?
- How the requirements of government policy (e.g. TB polices on grants and contributions) have been met in establishing the program parameters?
- How, and how often, will the choice of funding instrument be reassessed to determine whether it remains appropriate as the program evolves (changes in eligibility, changes in arrangements requiring new terms and conditions)?
- How the risks and opportunities were taken into account in selecting the instrument and consider:
  - the context (social, economic etc.) within which intended results are being sought;
  - what has worked and not worked in the past and why; and
  - potential future challenges.
- Why grants are used instead of contributions or vice versa? If contributions are used, why should they be non-repayable or conditionally repayable?
- Whether the analysis explaining the design choices for the program is properly documented?

3.2 Unambiguous Performance Expectations

Management can explain how recipients are expected to benefit from funding and to what end.

Program staff at all levels need to understand the program's objectives and how funding recipients will contribute to the achievement of these objectives. Objectives indicate what the program is intended to achieve in light of the department's or agency's mandate and strategic objectives. Because they are usually general statements, program objectives need to be restated as expected

results if they are to properly support subsequent stages of program management (developing assessment criteria, selection process, agreements, monitoring, reporting). One way to articulate expected results is to answer the following question as precisely as possible - "what do we expect to happen to the recipients because of the funding?".
Can you explain:

- What should happen to recipients because of the funding you provide?, and what happens beyond that?
- How individual funding decisions contribute directly to expected results and the program objectives? Is this explanation the same as the one for the bullet above? If not, why not?
- What a "good" or "model" or "ideal" grant or contribution would look like?
- How you would know if a funded project were successful in contributing to expected program results?
- When and how you would know if expected program results and objectives are met?

3.3 Precise Eligibility and Assessment Criteria

Program officers understand who and what is eligible and ineligible for funding, under what conditions funding can be provided, for what purposes, and in what amounts.

Program staff are accountable for ensuring that programs are delivered with due process. Program managers facilitate this by ensuring that the eligibility criteria, conditions of support, and scale of assistance are documented in the program literature, and are well understood and applied consistently and fairly by program staff, including staff in regional offices. Clearly documented eligibility criteria help ensure that payments are made only to eligible recipients for eligible expenses. With clear evaluation criteria linked to program objectives, staff will be able to assess eventually whether funding has been effective in meeting those objectives. The expected results are documented in the application (for grants) or in the agreement (for contributions) and are in line with the program's objectives.

Can you explain:

- Who or what is clearly ineligible for funding?
- How well program staff understands eligibility and assessment criteria?
- How precedents and exceptions are dealt with in the program and are fully documented?
- Who has authority to decide on eligibility, and who reviews that decision?
- How the assessment criteria support program objectives?

- How the assessment criteria directly address the expected results of the program?
- Is existing guidance for officers sufficiently thorough and complete?

3.4 Getting the Word Out

Potential applicants are aware of the program.

A key ingredient of a successful program is a high level of interest among potential applicants. Encouraging as many potentially eligible applicants as possible to apply helps ensure fairness of the program and helps target available funds towards the most promising projects. This means using appropriate and effective communication, and even promotion, whether through modern technology or traditional media, to increase awareness in target groups. Promotional material sets out the purpose of the program, the various forms of assistance available, terms and conditions of support, the scale of assistance, and eligibility and assessment criteria. It also contains information about the approval process, including any appeal process, the requirement for an agreement, the monitoring requirements, and how to apply.

Can you explain:

- The promotional strategy (paper, electronic, hands-on information sessions) - how it takes into account the evolving needs of the target population, ease of understanding (plain language) and extent of market penetration (program reach)?
- How potential applicants access program information resources - for example, program publications, web sites, and/or help desks?

3.5 Due Diligence - Does it Make Sense?

Eligible projects represent value for money to both the applicant and the program.

The answer to the question "does it make sense?" has two dimensions. First, a project must represent value for money for the applicant. In other words, it has to make sense that the applicant would want to do what he/she/it has proposed. We call this the "business " case, a term that we find works equally well in both economic and social settings. Second, the project must also represent value for money for the government. A project that “makes sense” is one that is unambiguously in line with program objectives, and meets eligibility and assessment criteria.

The "Business" Case

The business case demonstrates why the applicant would want to carry out the project, and that the applicant is capable of doing it successfully.

With respect to the "business" case, can you explain for each application:

- How the applicant has demonstrated the significance of the need/opportunity, including:
  - an indication of the impact of the lost opportunity;
  - that the need/opportunity is not being addressed elsewhere;
  - alternative courses of action;
  - how the outcome of the project (new knowledge, application of knowledge in a new context, new product or process, job creation, etc.) will address the need/opportunity; and
  - the importance and urgency of addressing the need/opportunity.
- Whether the estimated benefits and return on investment have been demonstrated? Has the market potential and the value of any resulting intellectual property been addressed?
- How the need/opportunity supports the organization's own objectives?
- Whether project risk has been thoroughly assessed and whether appropriate risk responses are planned?
- How the applicant demonstrated the knowledge and technical capability to undertake the project (for example, R&D and production capacity)?
- How the applicant demonstrated that it has the necessary support structures to successfully complete the project (marketing, managerial, financial, and technical)?
- Whether the applicant is the right party to carry out the project?
- Whether it would make sense to have tried even if the project fails?

The "Program" Case

The "program" case demonstrates why the government should invest in the project. A project can makes sense for the applicant without necessarily warranting the government's involvement.

With respect to the "program case", can you explain:

- How the project complies with program eligibility, meets or exceeds the assessment criteria and demonstrates the potential for benefits to Canada (social and/or economic).
- The rationale for government funding and the documented proof for it, considering the following:
  - evidence that the project could not proceed, or not in the desired manner, without government funding;
  - the funding is required to accelerate timing, or is some other rationale provided that is in line with the program objectives; and
  - the purpose of the project relative to the program objectives.

- What other funding sources are disclosed and/or used by the project and how has the possibility of "double-dipping" been taken into account? Has compliance with the government's stacking policy been verified?
- Whether project planning estimates – timing and budgets - are realistic (how do you know)?
- Whether there is a requirement for leveraging (extent of expected financial and/or in-kind support from applicant) and is it documented and substantiated?
- For a business contribution, whether there is a direct link between expected profits and increased value to the business as a result of the contribution? If yes, is a repayable contribution vehicle being used to recover the full government investment? If the financial support is for high-risk business ventures or speculative projects, is the government sharing the financial benefits commensurate with its sharing of the financial risks?
- If the recipient previously received a repayable contribution, whether the repayment on that contribution is current?
- Is an environmental assessment required? Has one been done?

3.6 Choosing the Right Projects

More deserving projects are funded at an appropriate level.

Given practical limitations, program officers try to support projects that are more, rather than less, deserving among those that are eligible and meet the assessment criteria. Encouraging as many potentially eligible applicants as possible helps to target available funds toward the most promising projects.

In some cases, "batching" may be more appropriate. Considering applications in batches rather than on a "first come, first served" basis makes comparisons possible and reduces the risk of running out of funds before even more deserving applications are received or considered. Timeliness of response can be a concern, however, and batching may not always be possible. Whatever approach is used, consistency of appraisal is critical to ensuring fairness and equity. Guidelines for the ranking of projects should be available.

If program staff understand their responsibilities and specific work assignments, the risk of problems with due process, fairness and equity is reduced. Guidelines should assist staff in consistently applying program terms and conditions and appraisal criteria. For large or complex proposals, expert staff or outside experts should be consulted. This is particularly true for the assessment of the applicant's financial requirements (analysis of income and expense estimates and examination of the implications of changes in the various estimates associated with a project).

Can you explain:

- Whether funds are available under the appropriation (section 32 - certification)?
- Whether the likelihood of funding the best proposals is optimised, (e.g. case-by-case versus batching)?
- Whether there is appropriate segregation of duties between those who review and approve applications, and those who approve payments?
- How conflicts of interest are resolved? Are there conflict of interest guidelines governing reviewers and, if so, are they enforced and monitored?
- Whether consistency and fairness are demonstrably valued by management and, if so, describe how? Is there a project review committee and/or checklist or standard appraisal form to ensure consistency in scrutiny?
- How project selection criteria ensure that only eligible recipients are funded?
- Whether appraisal procedures ensure that the successful applications meet the stated objectives of the program?
- Whether officers consider if projects could proceed without government assistance? Are applicants required to disclose other sources of support and, in the absence of disclosure, how is this matter pursued?
- Who makes the final decision and who reviews the decision? Who has the authority to over-ride a decision and on what specific grounds?
- Whether the rationale for each funding decision is written down thoroughly and succinctly so that supervision and review are possible (consider both business and government cases)?

3.7 Meeting the Terms of Payment

Funding is used for the purposes agreed.

Achievement of program objectives is contingent on the funds being used for the purposes agreed on at the project level. Effective monitoring provides assurance that all requirements for a grant or contribution are complied with, and it provides a basis for refining the overall program. Regular review of progress/achievements under grants and contributions reduces risk. The frequency of review will vary depending upon the size of award, the nature of the risks and their priority, the sensitivity of the award, the degree of uncertainty or subjective judgment in the original appraisal, the type of award (grant, contribution, repayable contribution), and the type of project.

In the case of **grants**, which are non-conditional transfers of funds, the eligibility criteria for the program, the information requirements on applications and the review process provide management with the necessary assurance that project funding will be used for purposes that are in line with program objectives. Large grants are normally paid in installments following verification of the recipient's continued eligibility. Periodic reporting on progress towards meeting objectives before installments are released is a way to ensure that funds continue to be used for the purposes intended.

In the case of **contributions**, which are conditional transfers of funds for a specified purpose, a formal agreement is signed by both the funding agency officials and the recipient. It stipulates the purpose and the immediate objective of the contribution. An effective statement of purpose is results-oriented and linked to the program objectives. The parties to the agreement clearly understand the outcomes required, not just outputs, before the funding begins. The payment of funds is conditional on performance and agreements are subject to audit to verify that all conditions, both financial and non-financial, have been met.

Can you explain:

For Grant Programs

- Whether letters of offer are adequate, taking into consideration monitoring expectations, progress reports prior to release of installments, reports on actual achievements prior to consideration for any new grant.
- How the recipient's eligibility is monitored over time? Are progress reports reviewed?
- Where changes occur, what the procedures are to determine whether to continue the award?
- How periodic progress reports are assessed against the original project objectives and, if there is a deviation, what the process is to determine whether to release the next installment?
- Whether grants are paid to recipients in advance of need?
- Whether the number of installment payments is in keeping with the TB Policy on Transfer Payments (section 7.1)?
- In the case of multiple installments, how program officers satisfy themselves of the recipients' continuing eligibility?
- Whether proper financial controls are designed and implemented to ensure that payments are subject to commitment control, account verification and payment requirements under Sections 32, 33 and 34 of the *Financial Administration Act* (FAA)? (See TB Policy on Transfer Payments, section 7.)
- If appropriate, whether there is a thorough and succinct record of monitoring activity for each project?

For Contribution Programs

- Whether the parties sign a formal agreement that meets effective accountability requirements including but not limited to:

- – results-oriented statement of purpose against which monitoring can be applied;
- \- a clear understanding between the parties on required outcomes or expected results before the funding begins;

- – monitoring provisions that are based on an assessment of risk (including use of progress reports, timely/periodic monitoring visits); and,
- – the conditions that must be met to receive payment.

- How accountability mechanisms focus on the results/outcomes of activity rather than the activity per se?
- What the audit requirement/cycle is and how well it is being adhered to?
- What prevents payments in advance of need? (For special circumstances, see TB Policy on Transfer Payments section 7.6.)
- How contributions are normally paid as a reimbursement of costs or expense incurred by a recipient (see TB Policy on Transfer Payments section 7.6).
- Whether proper financial controls are designed and implemented to ensure that payments are subject to commitment control, account verification and payment requirements under Sections 32, 33 and 34 of the *Financial Administration Act* (FAA)? (See TB Policy on Transfer Payments, section 7.)
- In particular, for section 34, how program officers satisfy themselves that the terms of the contribution agreement have been met?
- Whether there is a thorough and succinct record of monitoring activity for each project?

3.8 Optimal Program and Project Performance

Problems with project and program performance are resolved quickly.

Performance monitoring assesses the extent to which the desired outcomes are being achieved on an on-going basis. To monitor program performance, management puts in place relevant quantitative and qualitative performance measures at the project level and then the program level, and receives regular reports.

Program performance measures identify emerging problems enabling management to take corrective action. Good management, then, combines good information with appropriate action. Determining the appropriate extent and timing of monitoring can be a challenge, particularly for smaller programs with limited resources, and for programs funding a large number of relatively low-value grants or contributions. Effective risk identification and analysis can help to define the extent, timing and frequency of monitoring in these circumstances. Regular review of the program helps to ensure that adequate resources continue to be available to deal with the size, perceived risk and sensitivity of the awards made.

At the project level, a key risk is the potential for changes to the status or competence of the recipient that could adversely affect its ability to carry out the project. The terms of the funding agreements should provide for monitoring to give sufficient warning of circumstances that could indicate failure. In the case of grants, letters of offer can provide for similar reporting by recipients.

Can you explain:

- What things can go seriously wrong at the project level?
- Whether managers would know, and know soon enough to take remedial action?
- Can these risks be common enough to affect program performance?
- How you know that project performance monitoring is reliable?
- Whether the frequency and coverage of project verification/audits of compliance with agreements are sufficient to provide useful information on ongoing program performance?
- Whether there is quick action on problems identified by compliance audits?
- Whether performance is thoroughly and succinctly documented for each project over time?

3.9 Good Reporting on Performance

Management reporting demonstrates a good knowledge of program performance.

Management information systems should provide relevant, reliable and valid information required for management to regularly assess the effectiveness of the program (whether the outcomes are achieving the stated objectives) as well as the efficiency of operations.

Information should be available on outcomes/results related to the critical success factors as well as on inputs and outputs. Input measures tend to address economy and efficiency questions (for example, cash and resources consumed by the activities of the program, cost of processing an application, number of applications processed, number of processing errors, number of appeals and administration costs).

Output measures tend to show the extent to which the program's operational targets or milestones have been achieved (number of projects completed, number of applicants, proposed budget allocations, current commitments and expenditures, number of approved and rejected applications by classes of target groups, reasons for rejection, characteristics of recipients). Outcome measures assess the extent to which the program is achieving expected results.

Can you explain:

- How, and to what extent, performance information is directly related to stated objectives and strategies taking into account the following:
  - performance measures focus on a manageable number of key indicators of economy, efficiency and effectiveness that allow for an informed judgment of the achievement of outcomes;
  - performance measures are quantitative and qualitative, and balanced with the use of inputs and achievement of outputs and outcomes; and
  - measures and related variance analysis, where applicable, contain and/or provide sufficient explanation and comparisons (including target, benchmarks and ratios, and trends over time) and are used by management.
- Whether lessons learned from performance monitoring are incorporated into revisions of the program design?
- Whether the scope and frequency of audits, reviews and evaluations are sufficient to provide useful information on program performance?
- Whether program performance is well described in reports to Parliament?

For further details on good performance reporting refer to: “Parliamentary Committee Review of the Revised Estimates Documents” – section 4. (http://www.oag-bvg.gc.ca/domino/other.nsf/html/est_e.html)

3.10 Repaying Amounts Owed to the Government

Money owed to the Crown is collected promptly.

In general, where the objective is investment in economic development, all contributions to business enterprises are repayable, except for those specifically exempted. If there is a direct link between profits earned and increased value of the business as a result of the payment, the investment should be returned to the government in accordance with its policy on repayable contributions. In addition, where the government provides financial support to high-risk business ventures or to highly speculative projects, it should share in the benefits commensurate with its sharing of the risks. Treasury Board policy on repayable contributions should be used.

Other instances of money owed to the Crown include, but may not be limited to, money remaining from an advance payment at the end of a contribution agreement and the amount of any disallowed disbursements, money received under misrepresentation or received by a non-eligible person.

Can you explain:

- How repayable contributions are identified as such and recorded in the financial system?
- How the financial risks to the department and to the business entity are determined?
- Whether repayment schedules are specified in the contribution agreement?
- How assurance is obtained that financial risks and rewards are shared equitably?
- How the funding agreements provide for full repayment, and sharing of profits and royalties if appropriate?
- How the provisions for repayment take account of the high-risk nature of the contribution (and for programs recovering some portion of their costs, the fact that real successes in the program project portfolio have to pay for those that do not make a return)?
- Whether all previous contributions have been repaid where applicable?
- If amounts owed are past due, is interest being charged?
- Whether any money owed to the Crown has been identified and collected promptly?