

**WESTERN ECONOMIC DIVERSIFICATION (WD) CANADA
AUDIT AND EVALUATION (A&E) BRANCH
AUDIT REPORT (4 July 2006)
AUDIT OF THE FINANCIAL MANAGEMENT OF GRANTS & CONTRIBUTIONS**

Background

WD considers effective management of grants & contributions as key to departmental success.

To add value to the management's goal of achieving continuous improvements, the A&E branch initiated in 2005 continuous auditing of the management of grants & contributions to assess different aspects of the overall management.

Continuous auditing of grants & contributions allows for identification of issues, provision of recommendations and development of management action plans on a timely basis for achieving continuous improvements.

Audit Objective

The overall audit objective of the continuous auditing is to assess the effectiveness of the management of the grants & contributions on an ongoing basis.

Audit Approach

Continuous auditing is achieved through short cyclical audit assignments, each one focusing on a few key management aspects at a time, and presenting the results in template-form reports as good management tools.

The template-form audit report is a spreadsheet presenting various aspects of the results of the audit under the headings: area of focus (line of inquiry), audit criteria, finding (observation/issue), evidence, cause, effect (impact), recommendation, benefit, management response to finding, management response to recommendation and management action plan.

Follow-up

A&E branch will do periodic follow-ups to determine the progress made by management in terms of implementation of recommendations, through the completion of the action items established in the management action plan, and report on the results.

Audit Cycles (Management Aspects)

1. Financial Management (authority and delegation, standards, controls, practices, policies and processes).
2. Non-Financial Management (management of agreements, compliance with terms and conditions, standardization, regional practices, consistencies, streamlining and identification and sharing of best practices).

3. Management of Program by HQ (directives to regions, internal and external communication, documentation, monitoring practices, ongoing assessment of programs for meeting objectives, identification of deviations, realignment or improvements and identification and sharing of best practices).
4. Management of Projects by Regions (compliance with directives, internal and external communication, documentation, monitoring practices, ongoing assessment of projects for meeting objectives, identification of deviations, realignment or improvements, identification and sharing of best practices, standardization and regional variations).
5. Management of Adherence to Relevant Legislation and Treasury Board Secretariat Policy and Guidelines on transfer payments.
6. Management of Financial and Performance Information (documentation, communication, retention/destruction, data update and validation).

First Audit Cycle: Audit of the Financial Management of Grants & Contributions

The audit of the financial management of grants & contributions addressed financial management aspects by focusing on 20 key areas.

Key issues identified pertain to the thematic areas: systems to manage agreements, financial/risk assessment of proposals, signing authorities, advance payments and holdbacks, payables at year end, agreement termination date and risk reassessments.

Management action plan has been developed and progress has been made to address and implement recommendations.

Attached are the template-form audit report and the management action plan.