Audit of the Supporting Communities Partnership Initiative
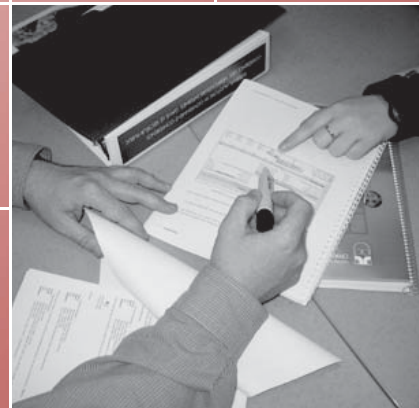
Audit of the Supporting Communities Partnership Initiative

Project No: 6572/02

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TABLE OF CONTENTS

EXECUTIVE SUMMARY

This audit is part of the Human Resources and Skills Development Canada (HRSDC) commitment made to Treasury Board (TB) at the time of the approval of the Terms and Conditions of the Supporting Communities Partnership Initiative (SCPI) in June 2000, so that two internal audits should be performed during the active period of the SCPI. A first report, "Implementation Review of the Supporting Communities Partnership Initiative," was produced in November 2001 and is available on the Internal Audit Services intranet site.

In December 1999, the Government of Canada launched the National Homelessness Initiative (NHI), a three-year $753 million Initiative to engage all levels of government as well as the non-profit and private sectors, to develop effective approaches to help homeless people make the transition from living in streets and in emergency shelters to a more secure life.

NHI administration was delegated to the National Secretariat on Homelessness (NSH) for which the Minister of Labour is responsible. Within HRSDC, the National Secretariat on Homelessness (NSH) was given the task of administering three components of the NHI: SCPI $305 million, Youth Homelessness within the Youth Employment Strategy ($59 million) and Homelessness within the Urban Aboriginal Strategy ($59 million) for the SCPI's first three years. SCPI was also given an additional administrative extension for one more year making SCPI available until March 31, 2004. Subsequently, the NHI was extended for an additional three-year period using new authorities.

The objective of the present audit was to provide assurance that SCPI is appropriately managed. The audit was limited to SCPI contribution agreements and to the Youth Homelessness and Aboriginal Homelessness components that use the SCPI Terms and Conditions. Other Youth and Aboriginal program agreements based on different terms and conditions are audited as part of their respective program audits.

The audit covered the program management in National Headquarters and in the regions. The following regions were selected based on program activity: British Columbia, Alberta, Ontario, Quebec and Nova Scotia.

The program management framework was assessed using the following approaches:

- risk self-assessment sessions with the National Secretariat on Homelessness and staff from regions;

- a control self-assessment questionnaire was answered by 60 program representatives from all levels of the organization in NHQ as well as in the regions;

- interviews with staff from NSH and from the above-mentioned regions, and representatives of some community entities;

- review of the relevant documentation (project file review and gathered information); and

- analysis of information.

The project files analyzed cover the work carried out by the audited organization between January 2001 and November 2002 and the program results cover the fiscal year 2002/2003. You will find clarifications in Appendix A regarding the objective, the criteria and the methodology used.

This internal audit was conducted in accordance with both the Treasury Board Policy on internal audits and with the Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing.

We conclude that overall, SCPI is well managed but more work is needed to strengthen monitoring controls primarily for agreements governing community entities.

The following recommendations are intended for the National Secretariat on Homelessness to improve management of SCPI:

- Clearly define the conditions that will lead to the longer term sustainability of interventions;

- Develop tools and training to build solid partnerships;

- Strengthen follow-up measures with funding partners and recipients with respect to the long-term funding of investments;

- In concert with EPB, NSH should review and update the training program for program officers to ensure the specific needs of the NHI are met;

- Strengthen follow-up mechanism to ensure community entities produce annual progress and audit reports that meet all requirements of section 23 of the agreement;

- Review the monitoring tools and more specifically improve the monitoring form used for on-site visits;

- Develop an annual verification process to ensure SCPI agreements administered under the community entity model are in compliance with Departmental policies and guidelines related to grants and contributions and with negotiated terms and conditions.

1. INTRODUCTION

This audit is part of the Human Resources and Skills Development Canada (HRSDC) commitment made to Treasury Board (TB) at the time of the approval of the Supporting Communities Partnership Initiative (SCPI) in June 2000, so that two internal audits should be performed during the active period of the SCPI.

A first report, "Implementation Review of the Supporting Communities Partnership Initiative," was produced in November 2001 and is available on the Internal Audit Services Intranet Site.

Brief overview

In December 1999, the Government of Canada launched the National Homelessness Initiative (NHI), a three-year $753 million initiative to engage all levels of government as well as the non-profit and private sectors, to develop effective approaches to help homeless people make the transition from living in streets and in emergency shelters to a more secure life.

Within HRSDC, the National Secretariat on Homelessness (NSH) was given the task of administering three components of the NHI: SCPI ($305 million), youth homelessness within the Youth Employment Strategy ($59 million) and homelessness within the Urban Aboriginal Strategy ($59 million). In addition, nine million dollars ($9 million) was granted to help with community plans, research, reports and accountability.

Under this initiative, the National Secretariat on Homelessness was given the following tasks:

• coordinate the implementation and development of the NHI;

• coordinate the implementation and development of the SCPI;

• support research activities; and

• provide with functional direction and national support for the program delivery.

Supporting Communities Partnership Initiative (SCPI)

SCPI is the cornerstone of the Government's strategy, the National Homelessness Initiative (NHI). When the NHI was introduced, the underlying principle was that a community-driven plan would have to be in place that addressed the needs of the homeless. The development and implementation of such a plan would be a vehicle to bring diverse groups together and would help to ensure the best use of community resources.

The Community Plan, once approved under SCPI, includes as part of the Plan, a detailed set of priorities that are the catalyst for funding under the NHI and also describes the mechanisms for delivery of initiatives to help the homeless in the community.

The homelessness issue presented a challenge since the needs of the homeless were unique ranging from developing a comprehensive picture of the needs of the homeless, improving or constructing more shelters, transitional and support facilities, and supporting services (ex. clothing, health support, food supplies). In our opinion, SCPI terms and conditions had to be different from other HRSDC programs and sufficiently flexible to accommodate the range of support measures required by the homeless.

SCPI operates within the framework of five broad objectives intended to provide sufficient latitude to address the wide range of homeless issues by funding community initiatives:

- to ensure that no individuals are involuntarily on the street by ensuring that sufficient shelters and adequate support systems are available;

- to reduce significantly the number of individuals requiring emergency shelters, and transition and supportive housing (through, for example, health services, low cost housing, discharge planning, early intervention, prevention initiatives);

- to help individuals move from homelessness through to self-sufficiency, where possible;

- to help communities strengthen their capacity to address the needs of their homeless; and

- to improve the social, health and economic well-being of people who are homeless.

Service Delivery Mechanisms

Communities can choose between two separate models for the SCPI service delivery:

Shared Delivery - Specific Projects Model: Based on this model, the HRSDC local offices (HRCCs) and the community groups work together to identify projects needed to meet the needs of the homeless. Service providers within the community apply to the HRCC for the funding of projects, through the Community Advisory Board (CAB), that meet the priorities set out in the approved Community Plan. Subsequently, financing agreements are made between the local HRCC and the service provider. Under this model, HRCCs are responsible for the administration of all aspects of the approved projects in accordance with the SCPI Operational Guidelines and with the Initiative's Terms and Conditions.

Community Entity Model: This model utilizes an incorporated organization agreed upon by the local HRCC and the community. The community entity is responsible for the management of SCPI funds and of accountability on behalf of the Government of Canada, in concert with a Community Advisory Board. Agreements concluded with community entities specify the requirement to provide financial statements and reports on activities. During the course of the agreement, the community entity reviews and approves all projects on behalf of HRSDC and ensures that they meet the SCPI Operational Guidelines. The HRCC must obtain assurance that the activities covered by the agreement meet the Initiative's Terms and Conditions.

In both cases, SCPI funds can only be used to fund projects that support priorities identified in the community plan. In the first year of the Initiative, prior to the completion

of Community Plans, program terms and conditions provide the modalities for the funding of urgent need projects recommended by communities.

Funding Allocation and restrictions

Eighty percent of the SCPI funds are allocated to the ten "most affected" communities: Vancouver, Calgary, Edmonton, Winnipeg, Toronto, Hamilton, Ottawa, Montreal, Quebec City and Halifax. These communities are identified as having the most severe and pressing homeless problems. The remaining 20% of the SCPI budget is allocated to the provinces and territories as per an agreed upon funding formula which provides for a minimum base of $200,000 per community.

SCPI funding can be used to cover up to 50% of eligible costs on an equal basis with direct and in-kind contributions from other funding partners. The total 50% federal commitment however, cannot exceed the total agreed upon allocation for that community. The federal contribution through SCPI can exceed the 50% limit for specific project if the overall federal contribution level of 50% is not exceeded in the total sum of all community projects and initiatives.

An analysis of the national evolution of investments of the Supporting Communities Partnership Initiative (SCPI) shows that as of June 30, 2003, 1,806 projects (SCPI, Youth and UAS) totalling approximately $365.3M had been approved.

Audit Objective

The objective of the audit was to provide assurance that SCPI is appropriately managed. It covers both the management controls framework and the program financial aspects. Finally, it is intended to identify risk areas and to provide recommendations.

The audit was limited to SCPI contribution agreements and to the Youth Homelessness and Aboriginal Homelessness components that use the SCPI Terms and Conditions. Other Youth and Aboriginal program agreements based on different terms and conditions are audited as part of their respective program audits.

Scope of the audit and methodology

The audit examined SCPI activities from January 2001 to March 31, 2003. More specifically, we examined the management controls framework for the fiscal year 2002-03. The project files analyzed cover the January 2001 to November 2002 period. The management controls framework and operational processes within SCPI were verified based on 14 audit criteria that are used by IARMS to review grants and contributions programs. You will find details on the *Audit objective, criteria and methodology* in Appendix A.

On-site visits took place from October 2002 to June 2003 at the National Secretariat on Homelessness (NSH) and in the five following regions: British Columbia, Alberta, Ontario, Quebec and Nova Scotia. These five regions were selected based on the Program volume of activities.

Program management controls framework has been assessed using the following methods:

- risk self-assessment sessions with the National Secretariat for Homelessness and for regional staff;

- a control self-assessment questionnaire was completed by 60 respondents from all levels of the organization in NHQ as well as in the regions;

- interviews with staff from NSH and from the above-mentioned regions;

- review and analysis of relevant documentation;

- review of files based on a sampling plan described in Appendix D; and

- review of the Performance Tracking Directorate results.

Regarding analysis of files, we studied the results of the file review performed by HRSDC's Performance Tracking Directorate (PTD), whose mandate is to provide assurance that grants and contributions funds are being appropriately managed and that project terms and conditions are in accordance with the program terms and conditions. However, because the PTD sample at the time of selection consisted of 11 files, 39 file reviews were undertaken by the audit team to yield a sufficiently robust sample. The period of time covered by our file exam was between January 2001 and November 2002. It should be recognized that a sample of this size is not statistically valid and thus it is not possible to reach conclusions on the overall program results.

The audit was limited to SCPI agreements, and to agreements covering the components of Youth Homelessness and Aboriginal Homelessness that use the SCPI Terms and Conditions.

We did not verify whether, overall, the federal contribution through SCPI exceeded the 50% limit for the total sum of all community contributions on all projects, because the projects had not all been completed.

All file review findings of the audit were presented to Program Management for discussion and validation.

The Terms of Reference has been approved by an Audit Advisory Committee made up of representatives from NSH, Quebec and Ontario regions, National G&C Performance Tracking Directorate and Internal controls.

This internal audit was conducted in accordance with the Treasury Board internal audit Policy and with IIA Standards for the Professional Practice of Internal Audit.

2. AUDIT FINDINGS

All the important findings of the audit are presented in this section in accordance with audit objective and criteria, which are described in detail within Appendix A *Audit Objective, criteria and methodology.* Findings and conclusions focus on each of the criteria, regardless of whether or not criteria requirements are met.

2.1   Program Mandate/Strategy:

Audit Criterion no. 2.1.1: Program objectives are clearly stated, understood and measurable.

This element has already been reviewed by the first SCPI implementation review completed by IARMS in 2001. However, in order to track this first audit action plan, we felt it would be useful to take another look to ensure that all program objectives are understood.

An electronic survey of 60 Initiative representatives showed that more than 90% believe that the objectives of the Initiative are clearly stated and easily understood. More than 80% of respondents think that partners know what is expected of them. Our audit allowed us to confirm this perception from interviews carried out with directors, managers, city facilitators, project officers and community partners within the five regions visited.

The program's objectives are broad so as to include all aspects related to homelessness. We found that the objectives are well presented in the Terms and Conditions for the initiative and in the operational guides which contain a glossary of terms used for a better understanding of the terminology used (e.g. Transitional Housing, Supportive Housing). Approximately 80% of the survey respondents believe that the Terms and Conditions were clear and that the support and direction provided to interpret the programs objectives, at the NHQ and regions levels, were appropriate.

When reviewing files, each funding request executive summary indicated clearly the objectives, activities, targeted client and description of the expected results.

We will discuss further in this document, in criteria 2.2.6, details of the performance indicators used to measure the program results, primarily with regard to completed activities or services rendered within the different SCPI projects.

We can conclude that the program objectives are clearly stated and understood.

Audit Criterion no. 2.1.2: The program's policies, procedures and operational guidelines are clearly defined, timely, available and consistently applied.

The policies, procedures and operational guidelines are available on the NSH and regional Intranet sites, and more generally in the Department's Grants and Contributions site. Results of the survey conducted with sixty program stakeholders show that nearly 75% of them believe that policies and operational guidelines are clearly defined.

Very early into the Initiative, procedures and operational guidelines on capital expenditures management were not available. Some regions had to develop procedures and guidelines to meet the emergency needs of projects operational management. Then, NSH issued directives to provide guidance for this type of projects but these guidelines were still under development at the time of the audit.

The review of documents related to projects for managing property or acquiring shares in property ownership showed a lack of clarity in the control of jointly funded capital projects and in the disposition of assets when a project ceases or comes to completion. Section 27 of Appendix F of the contribution agreement notes that the recipient should reimburse Government of Canada for the whole contribution amount received and used to pay this type of project costs if the agreement cease before March 31, 2006. At the time of our audit, we did not find any document explaining the nature of the monitoring of properties until 2006 for agreements that have ended.

During the audit, SCPI was in the last year of operations in Phase I, and some agreements had already ended. It was also found that procedures and directives related to the closing of a file (capital projects) did not help to define actions to be taken with various partners.

Regarding the consistent application of policies, procedures and operational guidelines, we have found that NSH and the regional offices schedule regular workshops and conference calls to clarify any ambiguity in policies, procedures and operational guidelines. Over 65% of the survey respondents felt that the operational guidelines were consistently applied. Our analysis of project files determined that files are generally well documented and well maintained.

In our opinion, some directives needed to be fully developed from the outset because the program was new and entirely different from other HRSDC programs. We also saw that NSH created a working group on capital projects, with special attention given to policies and procedures in regard of alienation of capital assets, depreciation, reimbursements in cases where assets have been sold or activities have ended, and in regard to the follow-up process. Since that time, NSH has prepared a draft document entitled *Facilities Provision Compliance Monitoring Form for SPCI, RHF and UAH projects.* In our opinion, this form should greatly improve the monitoring of facilities to ensure that they are used for the purpose for which they were intended.

We are of the opinion that policies, procedures and operational guidelines are generally clearly defined, timely, available and consistently applied.

Audit Criterion no. 2.1.3: Planning and resourcing exercises are regularly undertaken to ensure that the program meets its objectives.

This element was addressed by the Phase I of the Review of the Implementation of the SCPI Initiative. The recommendation provided in the report was that NSH should finalize its business plans for 2001-2003, which was done. Initiative priorities are now reflected in the national and regional business plans, which are corroborated by more than 90% of survey respondents. Seventy percent (70%) of survey respondents use the planning documents on a regular basis to emphasize program priorities.

Meetings are held with regional stakeholders and various workshops help maintain planning exercises both in terms of priorities that may arise and in terms of the resources required to deliver the Initiative.

Approximately half of survey respondents believe that their office does not have the necessary resources to deliver the program as prescribed in the business plan. During the risks self-assessment session held in December 2002, lack of financial and operational resources was also addressed as a major risk relative to the capacity to deliver service.

Despite the risks that were identified, we can conclude that this criterion is being met since NSH is aware of the risks and has implemented a number of risk mitigation measures.

Audit Criterion no. 2.1.4: Management understands the risks facing the program and a risk mitigation strategy is in place.

In December 2002, representatives from NHQ and regions met for a day-long risk self-assessment session. This session identified the major risks associated with achieving SCPI objectives and strategies were developed to mitigate these risks.

According to program managers who attended the session, experience gained over the past three years resulted in changes in the management and control process to reduce the risk. The five following areas were identified as being most at risk:

- sustainability of partnerships, communities, investments and interventions;

- ability to demonstrate SCPI impact;

- internal capacity to deliver the program;

- funding; and

- broad partnership development.

In addition, SCPI managers have updated action plans to respond to recommendations and to risks identified in the November 2001 IARMS report entitled *Review of the Implementation of the Supporting Communities Partnership Initiative*.

Risk areas 2 to 5 are handled based on specific audit criteria (see 2.1.3, 2.2.2, 2.3.1, 2.4.1). The risk associated with the long-term sustainability of projects was raised many times during interviews. The review of NSH documents shows that there are concerns about the long-term commitment of funding partners. It also appears that there may be interpretation problems in defining the term sustainability.

The sustainability issue can be examined in terms of several aspects and interpreted on different levels:

- At the level of the individual/client for whom the program has allowed a permanent end to this assistance, which is intended to be temporary;

- According to NSH, there was sustainability in the regions at the project level. The main concern is to know whether the project can continue and whether the association

between partners will allow for continued funding at either the federal level or the provincial level;

- NSH sees the need to ensure program sustainability in terms of community planning and more specifically, to build partnerships and links with the private sector, communities, non governmental organizations, provincial governments and ideally other federal departments. This will allow other forms of support to be implemented when SCPI withdraws from the homelessness file in 2006 as planned.

These different ways to approach and build sustainability are leading stakeholders and partners to concentrate their efforts from a point of view different from that of NSH, which considers the program to be only a temporary intervention.

The city facilitator is the HRSDC employee at the community level who build partnership among stakeholders and other level of government. He acts in a catalyst role to assist in the development of community bases approach to homelessness and represents government of Canada and the Federal Coordinator on Homelessness. Local facilitators noted that they lack tools and training to better promote the program to various stakeholders.

We noted the concerns of managers and projects representatives regarding the follow-up of the long-term funding of projects. Sustainability assessment carried out for each project remains vague and subjective.

Although SCPI managers seem to understand the risks facing the program and that risk mitigation strategies are generally in place, more needs to be done regarding the program sustainability:

> *Recommendations:*
> 1. *NSH must clearly define the conditions leading to a long-term sustainability of interventions;*
> 2. *NSH must develop tools and training to help build solid partnerships; and*
> 3. *NSH must strengthen follow-up actions with funding partners and recipients with respect to the long-term funding of community investments.*

2.2 Accountability for Results:

Audit Criterion no. 2.2.1: Roles and responsibilities are clearly defined, understood and transparent.

Nearly three-quarters of survey respondents think that roles and responsibilities within their respective offices are clearly defined and understood. However, many regional employees noted that the role and responsibilities of the various directors responsible for the SCPI in NHQ should be clarified and that this information should be disseminated to the regions. We also found that in general the agreements governing contributions are generally clear concerning roles and responsibilities of the various recipients.

As we were progressing in our interviews and project file reviews, the primary issue that was brought up concerned the responsibilities of different stakeholders with respect to the financial controls to be exercised, and more specifically regarding projects managed by community entities. For example, there is a need to understand the role of the local program officer, regional coordinator, the community entities accountant or the role of external auditors and NSH representatives all of which play a major role in monitoring agreements with community entities. A reminder on the role of the various stakeholders would be helpful.

We can therefore conclude that overall, the roles and responsibilities are clearly defined, understood and transparent.

Audit Criterion no. 2.2.2: Performance indicators and mechanisms (including data-capture infrastructure) are timely, relevant, accurate and in place to measure and report on project and program performance and outcomes and are used for decision-making.

During the period covered by this audit, three national key indicators were used to report on SCPI performance:

- percentage of the budget spent and committed for SCPI and for homeless youth and aboriginals;

- percentage of the value of approved projects to date under the budget per program during the three years of the SCPI; and

- the number of people served by shelter facilities, support services facilities and by the provision of support services.

A survey conducted with various program representatives both at NHQ and in the regions, found that 70% of the respondents suggested that national performance indicators are appropriate for measuring program results achieved. Survey respondents mentioned that the first two of these indicators are useful to monitor the Initiative's financial progress, but they are not necessarily pertinent to measure the whole program performance.

The audit team questioned the indicator for the use or non-use of program funding. It is recognized that the Program initially did have problems in achieving target levels of assistance, leading to a reprofiling of the program's budget. However, various good reasons can explain budget variances. Furthermore, the use of the percentage of the budget spent may lead to a perception that there has been undesirable pressure on managers to expedite projects or payments approval. The department, in our view, needs to reinforce the public message that management of public funding should first seek to ensure the appropriate and effective use and protection of that funding.

The SCPI results-based management and accountability framework established in August 2001 for the years 1999 to 2003 presents a more comprehensive measurement strategy entailing many short, medium and long-term results indicators. Information is collected in three ways: by reports produced on the progress of the projects, by status reports produced by SCPI communities and via an evaluation process.

National and regional cumulative reports on approved and anticipated projects are available on HRSDC internet/intranet sites. Overall, we have found that these reports are helpful to managers. NSH also received community-based reports from the various community entities.

NSH produced the report entitled *National Investments Analysis from December 17, 1999 to June 30, 2003*. This report holistically provides information on investments made by communities with the SCPI funds without providing specifics on the ten most affected communities. Approximately 80% of program funds are distributed to these communities. Data are taken from project summaries and contribution agreements.

HRSDC Program Evaluation also conducted an evaluation, and the report entitled *Evaluation of the National Homelessness Initiative: Implementation and Early Outcomes of the HRDC-based Components* was issued in March 2003. Key findings regarding short-term results show that SCPI made a significant contribution in strengthening existing capacity to address homelessness in the majority of communities under study. The assessment concluded that NHI funds have been allocated to a wide range of projects in a continuum of services which have mainly targeted the emergency needs of the homeless population.

The new results-based management and accountability framework for the period 2003-2006 was developed for all components of the NHI. Many performance indicators were identified. They provide for multiple collection sources and methods including: data on projects and investments, updates of community plans, program assessment and the website.

Approximately forty percent of survey respondents mentioned that data collection and compilation mechanisms and systems were appropriate. However, it is to be noted that we did not verify the accuracy of data used for the compilation of results. Lack of means to measure qualitative results was also raised as an issue.

NSH asked all project supervisors to produce a statement of final results at the end of each project. Community entities had not yet provided all their project findings at the time of the audit. We were therefore unable to measure the overall program performance from individual project findings.

The capacity to show the Initiative's impact on homelessness was identified as a significant risk during the Risk Self-Assessment session held on December 11, 2002. The complexity of the different facets covered by SCPI, the uniqueness of the initiative and the absence of a definition of sustainability were identified as some of the risk factors. This indicates that managers and staff remained concerned about the challenge of developing appropriate indicators to measure SCPI performance.

Audit Criterion no. 2.2.3: Relevant performance information is presented in reports to Parliament.

Information, mainly based on key performance indicators previously listed, is presented in the HRSDC Performance Measurement Report. This report explains the methodology used to measure the results of each indicator, a summary of objectives achieved and not

achieved for each program and the national and regional results for each indicator. This information is rolled-up in the *HRSDC Performance Report* presented to Parliament.

Following are the highlights of the 2002/2003 report:

- 92% of the annual budget has been spent or committed.

- 101.2% of the value of projects has been approved to date under the three-year budget of the Initiative.

- Number of people served by:

  - Shelter facilities   102,000

  - Support services facilities   294,000

  - Support services delivery   135,000

It is important to mention that the same person can use more than one of the above kinds of services and may do so with varying frequency throughout the year. Therefore, we cannot determine if assistance received is temporary or permanent and there is no indicator for outcomes in terms of impact that SCPI has on the overall homeless. It is impossible to compare these results with the previous years because indicators of the previous year were different and sought above all to ensure that appropriate community plans had been completed for all organizations using the SCPI funds.

As mentioned previously, the report to Parliament for the year 2002-03 reflects the results described based on the indicators in place. The first two indicators are intended to measure the overall progress of SCPI. The third indicator is a quantitative marker of services provided.

Audit Criterion no. 2.2.4: Administrative and financial controls have been designed and implemented.

This assessment criterion is based mainly on the review of 39 project files examined at different stages of the project life cycle. The review of the project files covered the period from January 2001 to November 2002. We were not able to evaluate the status of the projects at termination due to the fact that majority of reviewed projects were still active. The method used to sample files and the overall approach is found in Appendix D. The review of the project files has enabled us to find that overall, administrative and financial controls have been applied according to the rules that are in force. The monitoring controls are addressed under criterion 2.4.1.

In addition to our own audit work, we made use of the results of the file review performed by the Performance Tracking Directorate (PTD) between September 2000 and December 2002. Appendix E shows the detailed results of the 24 files reviewed. In general, there was high level of compliance in the project life cycle stages.

It is our opinion that in general, appropriate administrative and financial controls were developed and implemented.

Audit Criterion no. 2.2.5: There are processes in place to clarify policies, resolve issues, and ensure good communications with partners and stakeholders.

More than sixty percent of survey respondents consider that appropriate national strategies are in place to clarify and resolve issues with partners. To our opinion, roles played by regional and local officers facilitated communications between partners.

NSH and regional intranet/internet sites represent a good source of information on policies, directives and guidelines to help various stakeholders in their operations.

We can therefore conclude that overall, there are processes in place to clarify policies, resolve issues, and ensure good communications with partners and stakeholders.

Audit Criterion no. 2.2.6: Recipients/sponsors meet program eligibility criteria.

SCPI Operational Guidelines clearly indicates partners' terms of eligibility. The assessment of this eligibility is done at the stage of the evaluation of proposals at the local, regional and national levels up to the level of departmental approval. Our file review pointed out that each executive summary attached to funding requests also provided a description of the sponsor or recipient involved in the project.

In all files reviewed, project activities met the program objectives. We can thus conclude that following a review of the documentation and the files, recipients and sponsors meet the program's eligibility criteria.

2.3   Capacity to Support the Program:

Audit Criterion no. 2.3.1: Program staff has access to needed resources, information, skills, tools and training to ensure successful delivery.

More than three-quarters of the survey respondents (78%) stated that they possess the skills, training and tools required to deliver SCPI appropriately. Many comments were collected during the survey. These comments are specific to the training needs including the following:

- negotiating with partners;
- specific features of capital projects, such as legal aspects, project management, financial monitoring and results measurement;
- analysis of financial statements; and
- recruitment of financial partners.

The survey also indicated that more than 40% of the officers said they did not receive the mandatory basic training related to the grants and contributions programs delivery.

In addition, the internal capacity to deliver services from the human resources perspective has been identified as a significant risk during program risk self-assessment (see criteria 2.1.4). The concerns raised included loosing skills sets in the transition, the lack of program delivery

experience at NSH, the lack of corporate understanding and knowledge of the Initiative and subsequent support and appreciation for it.

Only few deficiencies were detected during file review regarding agreements administered as per the shared delivery model. However, our findings are different regarding files managed by community entities (see description in the Introduction). This model includes additional requirements related to financial monitoring on behalf of HRSDC. In our opinion, there is a need for improvement of competencies required to analyze progress and annual audit reports.

Recommendation:

4. *In concert with EPB, NSH should review and update the training program for program officers to ensure the specific needs of the NHI are met.*

Audit Criterion no. 2.3.2: There is sufficient internal communication to ensure that program employees have consistent, accurate and current information within and across the programs.

NSH organizes workshops held nationally and regionally on various topics related to SCPI. It is our opinion that these workshops are an effective means for information sharing. NSH also organizes meetings on a regular basis with the regions to provide information and discuss relevant issues. In addition, a significant amount of information is also presented on the intranet site.

Based upon our survey, project officers receive adequate support and guidance from regional and national consultants for interpretation of SCPI objectives, directives and policies.

In our view, however, NSH could play a beneficial role in ensuring some coordination and encouraging information sharing between and within regions as a result of initiatives and workshops organized by regions themselves, and in promoting the sound practices identified.

We can therefore conclude that internal communication mechanisms encourage dissemination of consistent, accurate and current information.

Audit Criterion no. 2.3.3: A model of a contribution agreement exists for the SCPI program and is used for reference for all agreements.

NSH developed and proposed three contribution agreement models to solidify partnership relationships. These models were integrated in the Common System for Grants and Contributions but the survey respondents felt the models included in the system did not yet correspond to the reality of SCPI administration and consequently were not used due to system problems.

The first model is used for all SCPI specific projects and for the portion related to Youth and Aboriginal projects covered by SCPI Terms and Conditions. This agreement model is used for reference for the majority of projects.

The second model is a simplified version of the agreement in order to expedite and facilitate the process. This version can be used only in specific situations and when the value of the agreement is below $25,000. As of June 20, 2002, only 150/936 agreements were valued below $25 000.

Finally, the third model is for projects managed by community entities to take account of specific requirements related to controls and delegation of responsibilities.

As previously mentioned, although agreement models were not entirely incorporated into the Common System for Grants and Contributions at the time of the audit, all agreements reviewed during our file review did contain the appropriate clauses. This criterion is met.

2.4   Program Monitoring:

Audit Criterion no. 2.4.1: Contribution agreements are being effectively monitored as part of the Quality Assurance Framework to ensure that funds are being spent according to the terms and conditions of the contribution agreements.

For the purposes of this evaluation criterion, three components of the HRSDC Quality Assurance framework were examined:

- The project officer works in the local offices and reviews all his files and the nature and frequency of the monitoring to be performed is determined by the *Agreement Risk Assessment – Monitoring Plan* form;

- The Programs Operations Consultant works in Regional Offices or in NHQ and also conducts file reviews (approximately 15% of the project files). His role also involves consulting and training; and

- The Compliance Program Officer and the Post-audit consultant are sharing responsibilities to ensure that quality standards are applied in the regions, at NHQ and in the Performance Control Direction.

According to the Grants and Contributions Operational Guide, the *Financial Administration Act* allows us to verify if funds are spent as intended in the contribution agreement, and if record-keeping systems and appropriate accounting practices have been put in place to manage and control departmental funds. Importance of financial monitoring and administration grows with the agreement size, complexity and dollar value. Monitoring of particular types of projects requires a level of financial expertise that often far surpasses the expertise of program officers. Control of results should identify expected outcomes within the established deadlines.

In order to proceed with the review of the component *Program Monitoring,* 39 files were selected for review. For each project, five specific criteria were used to determine quality of monitoring.

Six of the files were reviewed more thoroughly. These projects were managed by community entities, their dollar value exceeded $1 million and they were of multi-year duration. Agreements managed as per the community entity model include additional

requirements described in Section 23 of the agreement entitled *Annual Progress and Audit Report.* This section is particularly important as it allows HRSDC to ensure on an annual basis that the community entities comply with contribution agreement by providing an annual progress report and using specific audit contracts with independents auditors who have to provide HRSDC with an annual audit report on the management of the agreement. The details of Section 23 are found in Appendix C.

We have not been able to compare our results with the project file review conducted by the Performance Tracking Directorate as their review is not specific to Community Entity delivery model and they do not examine monitoring controls necessarily from the same approach than Internal Audit.

Our observations on the projects control monitoring are broken into two categories: general observations for all the files examined and observations specific to the community entity files with high dollar value.

Overall Observations:

- In general, monitoring activities have been carried out in accordance with established policies and procedures. These items included the frequency of monitoring visits in accordance with the established plan, follow-ups on progress of activities, costs incurred, and contributions of other partners and on corrective actions taken, as required;

- We question the relevance of the control monitoring tools used to follow-up on agreements, especially when it involves agreements that are of high dollar value and are multi-year agreements. For example, the monitoring forms do not include follow-up on project sustainability, management approval, and conclusions on progress made on planned activities versus financial aspects;

- From the documentation available in the files reviewed, we could not find the links that should normally be found between activities/financial administration monitoring and results, nor could we find the conclusions stemming from those links.

Community entity files with high dollar value:

The following observations are specific to the six community entity files studied:

- We found that it was a promising practice to pair a financial officer with a program officer during monitoring visits. This adequately supports the program officer for the financial aspect of the project files;

- Overall, we were expecting to find more detailed narrative reports in terms of monitoring/follow-up documentation. Documentation included in files did not identify the level of analysis nor evaluate activity progress in comparison to the operational plan and expenditures plan proposed by recipient;

- We found few indications in the files showing the active involvement of managers in monitoring activities;

- For 3 of the 6 files reviewed, the annual progress and audit reports complied with the conditions pursuant to Section 23. Documentation included in the other files did not meet all the requirements described in Section 23;

- We were unable to trace documentation and analyses that might reasonably be expected upon receipt of the annual progress and audit reports. We feel that these analyses are very important, because they allow a reconciliation of funding from the department and the amount of expenditures submitted by the recipient with the amounts appearing in the report of the external auditor. They also help in the study and explanation of discrepancies;

- Different interpretations were noted in applying Section 23. There is a lack of consistency in the perception of the roles and responsibilities of the various stakeholders regarding HRSDC handling of the *Annual Progress and Audit Reports;*

- We saw that the monitoring/control carried out in accordance with the *Post-auditing Policy*, which forms part of the Quality Assurance Framework, constitutes a relevant additional tool that ensures compliance with agreement administrative and financial terms and conditions. However, since these exercises only apply to a limited sampling of grants and contributions files; it is our opinion that this monitoring exercise should apply to all agreements with high dollar value based on the community entity model.

Recommendations:

5. NSH should strengthen follow-up mechanism to ensure community entities produce annual progress and audit report that meet all requirements of section 23 of the agreement;

6. NSH should review, in concert with FAS and Employment Programs Branch, the monitoring tools and more specifically improve the monitoring form used for the on-site visits; and

7. NSH should develop an annual verification process to ensure SCPI agreements administered under the community entity model are in compliance with Departmental policies and guidelines related to grants and contributions and with negotiated terms and conditions.

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3. CONCLUSION

We find that overall SCPI is well managed but more work is needed to strengthen monitoring controls primarily for agreements governing the community entities.

In our professional judgment, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the conclusions reached and contained in this report. The conclusions were based on a comparison of the situations as they existed at the time against the audit criteria.

This internal audit was conducted in accordance with the Treasury Board Policy on Internal Audit and the Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing.

APPENDIX A

AUDIT OBJECTIVE, CRITERIA AND METHODOLOGY

1. AUDIT OBJECTIVE

The objective of the audit was to provide assurance that SCPI is appropriately managed.

As per the Treasury Board Submission, the audit will cover all systems of delivery, control and payments related to the program and all operations and processes related to it for the period since the previous audit (i.e., post January 2001).

The audit was limited to SCPI contribution agreements and to the Youth Homelessness and Aboriginal Homelessness components that use the SCPI Terms and Conditions. Other Youth and Aboriginal program agreements based on different terms and conditions are audited as part of their respective program audits.

2. AUDIT CRITERIA

The audit assessed the management framework and operational processes within SCPI based upon the standard set of audit criteria that are used by IARMS to assess grant and contribution programs. These criteria are listed below. However, some audit criteria were used in the Phase I Implementation Review completed by IARMS in 2001, as per the TB submission. For these criteria, the current auditing (phase II) was limited to following-up on the implementation of the management action plan proposed by management to respond to IARMS recommendations.

2.1 Program Mandate/Strategy:

    2.1.1 Program objectives are clearly stated, understood and measurable;

    2.1.2 The program's policies, procedures and operational guidelines are clearly defined, timely, available and consistently applied;

    2.1.3 Planning and resourcing exercises are regularly undertaken to ensure that the program meets its objectives;

    2.1.4 Management understands the risks facing the program and a risk mitigation strategy is in place.

2.2 Accountability for Results:

    2.2.1 Roles and responsibilities are clearly defined, understood and transparent;

    2.2.2 Performance indicators and mechanisms (including data-capture infrastructure) are timely, relevant, accurate and in place to measure and report on project and program performance and outcomes and are used for decision-making;

    2.2.3 Relevant performance information is conveyed in reports to Parliament;

2.2.4 Administrative and financial controls have been designed and implemented;

2.2.5 There are processes in place to clarify policies, resolve issues, and ensure good communications with partners and stakeholders;

2.2.6 Recipients/sponsors meet program eligibility criteria.

2.3 Supporting Program Capacity:

2.3.1 Program staff has access to needed resources, information, skills, tools and training to ensure successful delivery;

2.3.2 There is sufficient internal communication to ensure that program employees have consistent, accurate and current information within and across the programs;

2.3.3 A model exists of what a "good" or "model" or "ideal" contribution agreement for the program would look like.

2.4 Program Monitoring:

2.4.1 Contribution agreements are being effectively monitored as part of the Quality Assurance Framework to ensure that funds are being spent according to the terms and conditions of the contribution agreements.

3. METHODOLOGY

The audit was conducted at NHQ and regionally. The management framework for program controls has been assessed by the following means:

- risk and control self-assessment sessions with NSH and regional staff;

- interviews with NHQ and regional staff;

- examination of relevant documentation (see notes below); and

- analysis of information.

The following regions, based on program activity, were selected for examination: British Columbia, Alberta, Ontario, Quebec and Nova Scotia.

Risk and control self-assessment sessions were facilitated by IARMS for NSH management and staff located at NHQ and in the regions in order to reassess risks and also assess the control level related to the audit criteria. In addition to our own audit work, we made use of the results of the file review performed by the Performance Tracking Directorate (PTD) between September 2000 and December 2002. The PTD reviewed 24 files. Appendix E shows the detailed results of the 24 files reviewed. In general, there was a high level of compliance in the project cycle stages.

APPENDIX B

MANAGEMENT ACTION PLAN

Please find in the annex the details of the management's response to the internal audit and risk management services recommendations (IARMS).

Internal Audit Recommendations	Management Plan	Actions Undertaken to date	Next Steps/Target Date for Completion	Responsibility
1. *NSH must clearly define the conditions leading to a long-term sustainability of interventions.*	1. NSH to review existing definitions and conditions regarding sustainable interventions, refine and elaborate where necessary, and communicate this material effectively with regions. 2. NSH to conduct Risk Management session with Regional input to develop action plan and mitigation plan. 3. NSH to work with regions and communities in the development and sharing of sustainability best practices across the country, as part of a learning network.	1. Sustainability description expanded upon in Operational Guidelines Sept/03. 2. June 21/04. 3. Preliminary work done on promising practices approach and strategy for developing a Partnering Learning network promoting partnerships that enhance sustainability.	1. **Completed** 2. **Completed** 3. Promising Approaches (20 projects) to be posted on Internet site by August/05.	1. **Program Management** Director Sylvie Guibert 2. **Corporate Affairs and Accountability** Director Joceline Cousineau 3. **Partnerships** Director Yves St-Onge

Internal Audit Recommendations	Management Plan	Actions Undertaken to date	Next Steps/Target Date for Completion	Responsibility
	4. NSH to have discussion with Provincial and Municipal counterparts including the issue of sustainability.	4. Regional officials discuss sustainability for both specific initiatives and a broad basis as part of their ongoing dialogue with provincial and municipal counterparts. Extensive consultations held with community groups across the country between December/04 and February/05 re the NHI and Canadian Housing Framework that included input on delivery models and issues such as sustainability. Input will be reflected into MC to Cabinet for Phase III in fall/05.	4. **Completed. (Phase II – Nov/04)** Discussions will be ongoing for renewal and Canadian Housing Framework between NSH, Regions, and provincial and municipal governments. **Completed Feb/05.**	4. **Policy and Government Relations** Director Ashique Biswas

Internal Audit Recommendations	Management Plan	Actions Undertaken to date	Next Steps/Target Date for Completion	Responsibility
2. *NSH must ensure the development of the tools and training necessary to help build solid partnerships.*	1. NSH to develop tools to encourage partnership building at the community level, and strategies at the regional level.	1. Tools developed and posted on website, including a Partnership Strategy – 2003.	1. **Completed** Partnering Learning Network will continue to grow and information sharing with and between regions and communities will continue throughout Phase II and Phase III.	1. Partnerships
	2. NSH to work with Employment Programs Learning Unit to ensure homelessness materials examples and community processes are included in key areas of the Program Officer curriculum relating to partnership development (Curriculum Phase III).	2. Discussions held and initial plan established – Sept/04. Information on NHI shared with the Learning Branch to use in the development of Project Officer Training materials.	2. **Completed** Liaison will continue with Learning Branch as required.	2. Program Mgmt

Internal Audit Recommendations	Management Plan	Actions Undertaken to date	Next Steps/Target Date for Completion	Responsibility
	3. NSH to make linkages with National Organizations to develop strategies to ensure long-term partnerships and sustainability, including unions and private sector champions.	3. Numerous initiatives underway: – *Canadian Business for Social Responsibility* selected to begin engaging business leaders (pilots in Toronto, Vancouver & Surrey). – *Social Investment Org* working with NSH to develop a financial sector solution to Homelessness. – NSH following up with over 13 national members of *Conference Board's Corporate Community Investment Council.*	3. (see below) – Currently in the process of identifying a national corporate champion. Pilots planned for fall/05. – Proposal received by NSH but not acceptable. Attempts will be made to restart discussions. No firm target date at this time. – Initial follow-up completed by NSH and Deputy Minister. – *Council* has developed *Leadership Challenge* publication with 40 suggestions for assisting communities.	3. Partnerships

Internal Audit Recommendations	Management Plan	Actions Undertaken to date	Next Steps/Target Date for Completion	Responsibility
		– CAW agreed to partner with NHI at national level.	– Initial discussions held but further developments pending formal announcement. CAW is represented on Minister's Advisory Committee.	
		– Working with Fairmont Hotels and CIBC to partner locally with their respective community investment programs.	– Fairmont's *Adopt a Shelter* program on hold, pending expansion plan. No firm date established. – CIBC has developed and sent out information packages on NHI to their regional and local offices for comment.	
		– Developing parameters for a Corporate/Union Advisory Roundtable on Homelessness.	**Completed** Roundtable currently involved in working with NSH in the development of a national foundation to facilitate partnerships.	

Internal Audit Recommendations	Management Plan	Actions Undertaken to date	Next Steps/Target Date for Completion	Responsibility
	4. NSH to continue to delivery *NIMBY* workshops to increase capacity at local level.	4. Train the Trainers pilot workshops schedule in Oct in Sudbury and Kitchener. Training in Halifax in November. Partnering with CHMC for a national roll-out of this package.	4. **Completed** 2 pilots held in Toronto and 1 in Halifax. CMHC currently evaluating pilots and will commence national roll-out of training in mid Fall/05.	4. Partnerships
	5. NSH to deliver FAS-D Train the Trainers sessions in 21 communities, in partnership with Health Canada and Justice, to increase awareness of Fetal Alcohol Syndrome and to develop the capacity and the necessary partnerships at the community level to address this cause of homelessness.	5. Curriculum is complete. Call for proposals for delivery organization posted Aug/04.	5. 10 cities have received training. Others will be completed by late Fall/05 and evaluation to be done by March/06.	5. Partnerships

Internal Audit Recommendations	Management Plan	Actions Undertaken to date	Next Steps/Target Date for Completion	Responsibility
3. NSH must also strengthen follow-up actions with financial partners and recipients on long-term funding of investments.	1. NSH to ensure financial partners' contributions have been confirmed, totalled, and recorded in the Community Plan Data Base maintained by NSH. Actions regarding the promotion of sustainable models and discussions with provincial and municipal partners have been documented under recommendation # 1 above.	1. Written confirmation for matching funds in each community has been received for most communities. A process for confirming and tracking matching community contributions was put in place as part of the review and approval of Community Plans for Phase II. 2. Ensure that the list of other funders and their total contributions is collected and input into the Community Plan data Base.	1. **Completed** 2. In progress Fall/05 target completion. Other funders, on a project basis, are input with each approved investment at the agreement stage.	1. Program Mgmt & Regions. 2. Strategic Research and Analysis & Program Mgmt.

Internal Audit Recommendations	Management Plan	Actions Undertaken to date	Next Steps/Target Date for Completion	Responsibility
4. *In concert with EPB, NSH should review and update the training program for program officers to ensure the specific needs of the NHI are met.*	1. NSH to work with Employment Programs Learning Unit to ensure homelessness materials are included in key areas of the new Program Officer curriculum (e.g. Project Life Cycle, Community Development, Community Capacity building) and that staff receive courses as required.	1. Discussions held and agreement reached on a process for ensuring the NHI is reflected in the curriculum. An outline of NHI input required, by course, prepared – Sept/04. Regions have completed numerous NHI specific training and information sessions for staff – program criteria, partnering, internal review process, etc.	1. **Completed** Liaison will continue as new training modules are developed by Learning Branch.	1. Program Mgmt.
	2. NSH will continue to identify and work with Regions and NHQ partners to address any other training needs specific to NSH in the regions through ongoing consultations, workshops, conference calls and regional visits.		2. **Ongoing** NSH participation in regional workshops and meetings on program requirements such as Results Reporting.	2. Program Mgmt.

Internal Audit Recommendations	Management Plan	Actions Undertaken to date	Next Steps/Target Date for Completion	Responsibility
5. *NSH should strengthen follow-up mechanism to ensure community entities produce annual progress and audit reports that meet all requirements of section 23 of the agreement.*	1. NSH work with Regions to ensure all requirements of section 23 of the agreement are being met. 2. NSH to work with other program groups and the Specialization and Concentration Directorate in defining 3rd party program audit requirements – for Entities and Specific Projects.	1. Operational policy guideline developed regarding specific Annual Report content-March/04. 2. Initial discussions held. NSH will participate as required in development of guidelines.	1. **Completed** 2. In process. Final requirements will be added to NHI agreements and operational policies when completed by S & C group.	1. Program Mgmt. 2. Program Mgmt.
6. *NSH should, in concert with FAS and Employment Programs Branch, review the monitoring tools and more specifically improve the form used for monitoring visits.*	1. NSH to review existing monitoring tools for projects and make improvements in consultation with regions, FAS and EPB. 2. NSH to develop a Community Entity monitoring form which also addresses third party agreements.		1. **Completed** 2. **Completed**	1. Program Mgmt. 2 Program Mgmt.

Internal Audit Recommendations	Management Plan	Actions Undertaken to date	Next Steps/Target Date for Completion	Responsibility
7. NSH should develop an annual verification process to ensure SCPI agreements administered under the community entity model are in compliance with Departmental policies and guidelines related to grants and contributions and with negotiated terms and conditions.	1. NSH to articulate operational policy with respect to monitoring third party agreements by Entities and HRSD Program Officers, in a manner consistent with similar practices and policies under consideration by other program areas.	1. Preliminary discussions held with FAS Policy, Youth, and Specialization and Concentration Directorate – Sept/04.	1. **Completed**	1. Program Mgmt.
		2. Revise operational policy to provide additional clarity regarding the respective roles of HRSD and the Entity – Oct/04.	2. **Completed**	2. Program Mgmt.
		3. New Entity monitoring form to provide for questions concerning third party activities.	3. **Completed**	3. Program Mgmt.

Internal Audit Recommendations	Management Plan	Actions Undertaken to date	Next Steps/Target Date for Completion	Responsibility
		4. Roll-out of new tools with HRSD staff and Community Entities, with support of regional and local offices and the Internet.	4. **Completed**	4. Program Mgmt.

APPENDIX C

SECTION 23 – STANDARD CLAUSE IN THE CONTRIBUTION AGREEMENT FOR COMMUNITY ENTITY MODEL

Annual Progress and Audit Reports

23. The recipient is to submit annual progress and audit reports to the Government of Canada no later than 90 days after the end of each fiscal year. These reports must contain the following information:

a) the progress made in implementing the work plan over the first fiscal year, including the progress made towards achieving the objectives set out in Appendix G, a list of all eligible projects funded during the year, and remarks on successes, problems, concerns and lessons learned;

b) the amount paid during the year by the recipient as eligible expenses for each eligible project, and a description of the progress made in each eligible project during the year;

c) a list of other community projects and activities, including a description of the progress made and indicating the amount of expenditures made during the fiscal year with funding from other sources;

d) a financial and audit report carried out by an independent auditor on the management of the contribution agreement. The report is to contain the following information:

I. a statement certifying that all expenditures declared by the recipient for the fiscal year are in accordance with the agreement, apart from exceptions specified in the report;

II. balances remaining on advances provided under the agreement;

III. a description of other income sources generated by the agreement, such as interest and GST reimbursements;

IV. a list of all expenses for which the recipient is requesting reimbursement and which are not eligible or are not accompanied by the required invoices;

V. a note regarding the appropriateness of the recipient's financial management procedures and internal cost controls. The auditor must study a sampling of reimbursement requests and invoices presented by third parties, to determine whether the recipient has implemented adequate controls for the funding to be used for purposes established under the agreement, with the size of the sampling to depend on the risk level for third parties;

VI.   a note on the effectiveness of the monitoring of the recipient's project. The auditor must examine, at minimum, the recipient's monitoring plans, as well as document the bases and frequency of audits and study the instruments used to keep records of monitoring visits, all in order to assess the effectiveness of monitoring and compare existing monitoring reports to the monitoring actions called for by the plan;

VII.   suggestions for improvements that will correct the shortcomings mentioned in the notes provided under V) and VI) above); and

VIII.   observations on the means used by the recipient to correct the shortcomings mentioned in the audit report for the previous year.

APPENDIX D

SUPPORTING COMMUNITIES PARTNERSHIP INITIATIVE
AUDIT SAMPLING PLAN

Requirement:

The file review mandate is to provide assurance that grants and contributions funds are being appropriately managed and expended in accordance with program terms and conditions. As described in the Terms of Reference – SCPI, a sampling plan is developed to ensure that all SCPI characteristics are considered.

Methodology:

The sampling plan for the SCPI files is established within the 6 following criteria:[1]

1. Select the agreements with expenditures post January 2001 to November 2002;

2. Select the 5 regions which have the most expenditures and agreements;

3. Stratify by 5 regions selected (British Colombia, Alberta, Ontario, Quebec and Nova-Scotia);[2]

4. Selected high value files (the 4 community entities agreements which are over $10 million);[3]

5. Selected PTD files (for the 5 regions);

6. Stratify by 5 program activities.[4]

    - SCPI planning (SSA 812 and 840)[5]
    - SCPI projects (SSA 813 and 841)
    - SCPI Communities entities (SSA 814 and 848)
    - SCPI UAS (SSA 815)
    - SCPI Youth (SSA 821)

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[1] All details are in followed pages.
[2] To ensure representation form NS, lower than average percentages were accepted as the basis for selection.
[3] Agreements over $10 million will be sampled 100%.
[4] Calculation: (Number of agreements for a specific activity of a region devised by total agreements of the same region) multiplied by 50 (total sample).
[5] See attached documentation for financial coding.

Recommendation:				
	High value	PTD	IARMS	Total
SCPI planning	0	1	6	7
SCPI projects	0	8	11	19
SCPI Communities entities	3	1	4	8
SCPI UAS	0	0	7	7
SCPI Youth	0	2	7	9
Total	3	12	35	50

Prepared by: Alain Chan-Kouan
                       Tara O'Halloran

Approved by: Jayne Hinchliff-Milne

Date prepared: November 19, 2002

APPENDIX E

NATIONAL GRANTS AND CONTRIBUTIONS PERFORMANCE TRACKING DIRECTORATE
SUMMARY OF RESULTS

Homelessness September 2000 to December 2002

Section / Number	Question	Yes	No	N/A	Total	%
Application						
A10-010.01	Application for funding from sponsor on file	24	0	0	24	100.0%
A10-010.02	Includes sponsor information as required by the contribution project file	23	1	0	24	95.8%
A10-010.04	Includes completed declaration of amounts owing in default to the federal government	20	0	4	24	100.0%
A10-010.05	Application was signed by representative of the submitting organization	24	0	0	24	100.0%
A10-010.10	Application includes objectives, activities and targeted participants	24	0	0	24	100.0%
A10-010.15	Application includes a budget	24	0	0	24	100.0%
A10-010.20	Application includes description of expected results	24	0	0	24	100.0%
Assessment						
A20-030.05	The written assessment demonstrates that the approved activity supports program objectives	24	0	0	24	100.0%
A20-030.10	Assessment documentation indicates that proposed costs were evaluated	23	1	0	24	95.8%
A20-030.15	Sponsor was checked for outstanding debt to HRSDC	22	2	0	24	91.7%
A20-030.20	There is formal confirmation of essential funding from other sources	4	1	19	24	80.0%
A20-030.25	MP notification on file, if required by program	21	0	3	24	100.0%
A20-030.30	MP concurrence on file, if mandatory	1	0	23	24	100.0%
A20-030.35	All other mandatory consultation and concurrence on file	8	0	16	24	100.0%
A20-030.60	Environmental assessment process has been addressed adequately in file	24	0	0	24	100.0%

Number	Question	Yes	No	N/A	Total	%
Recommendation and Approval						
A30-020.05	Recommendation rationale for funding on file	24	0	0	24	100.0%
A30-020.10	Recommendation rationale on file is complete	23	1	0	24	95.8%
A30-020.20	Approval signed with correct delegation of authority	24	0	0	24	100.0%
A30-020.25	Approval signed on or prior to project start date	24	0	0	24	100.0%
Agreement						
A40-020.05	Agreement is on file	24	0	0	24	100.0%
A40-020.10	Objectives include measurable timelines/milestones	17	2	5	24	89.5%
A40-020.15	Objectives include measurable statement of quantity	17	0	7	24	100.0%
A40-020.20	Expected results are described clearly	24	0	0	24	100.0%
A40-020.25	Services and/or activities are described clearly	24	0	0	24	100.0%
A40-020.30	Nature of authorized expenses is clear	24	0	0	24	100.0%
A40-020.33	Agreement specifies what capital assets will be acquired, and method of disposal	12	0	12	24	100.0%
A40-020.35	Agreement reflects all approval conditions	0	0	24	24	N/A
A40-020.40	The schedule and basis of payment are clear in the Agreement	23	1	0	24	95.8%
A40-020.42	Agreement contains a clause stating that HRSDC may do an audit of costs claimed	24	0	0	24	100.0%
A40-020.44	Agreement contains a clause stating that HRSDC funds are not to be used to pay for persons assisting the recipient in obtaining HRSDC contribution funding	20	0	4	24	100.0%
A40-020.46	Agreement includes the required declaration regarding registration of lobbyists	20	0	4	24	100.0%
A40-020.48	Agreement provides for repayment should total government assistance exceed the amount anticipated	3	0	21	24	100.0%
A40-020.50	Agreement requires recipient to declare amounts owing to the federal government, and states that HRSDC funding may be offset against amounts owing	20	0	4	24	100.0%
A40-020.52	Where recipient further distributes contribution amounts, agreement includes all provisions as stated in Appendix C of the TB payment policy	0	0	24	24	N/A

Number	Question	Yes	No	N/A	Total	%
Agreement						
A40-020.54	Agreement includes provisions for Agreement termination with cause and agreement termination without cause	23	1	0	24	95.8%
A40-020.55	Agreement states the requirement for the recipient to repay overpayments, unexpended balances and disallowed expenses	24	0	0	24	100.0%
A40-020.60	Text of the Agreement matches the program utilized	24	0	0	24	100.0%
A40-020.65	All necessary schedules are included and properly prepared	23	1	0	24	95.8%
A40-020.70	Duration of Agreement is stated	23	1	0	24	95.8%
A40-020.75	Agreement includes statement regarding disposition of project revenue	1	0	23	24	100.0%
A40-020.77	Agreement satisfies HRSDC policy regarding tendering of sub-contracts or includes rationale and approval for sole-sourcing	5	0	19	24	100.0%
A40-020.78	Agreement stands on its own in terms of purpose and objectives	23	0	1	24	100.0%
A40-020.85	Agreement value is equal to or less than approval amount	23	1	0	24	95.8%
A40-020.90	Forecast of cash flow on file if necessary, appropriate to project activities, prepared by sponsor, and in accordance with HRSDC agreement total	18	0	6	24	100.0%
A40-020.95	Agreement signed on or after project approval date	24	0	0	24	100.0%
A40-021.01	Agreement signed on or prior to Agreement start date	20	4	0	24	83.3%
A40-021.10	Commitment completed prior to HRSDC signing Agreement	19	5	0	24	79.2%
A40-021.15	Signed in all required places by HRSDC official with correct delegation of authority	24	0	0	24	100.0%
A40-030.05	Reason for amendment is clear	5	0	19	24	100.0%
A40-030.10	Approval for increase amendments was signed with correct delegation of authority	2	0	22	24	100.0%
A40-030.15	In the case of financial increase amendments, commitment certification was completed prior to HRSDC signing the amendment	2	0	22	24	100.0%
A40-030.20	Forecast of cash flow amended for financial amendments, where required	0	0	24	24	N/A
A40-030.25	Amendments signed with Correct delegation of authority	4	1	19	24	80.0%

Number	Question	Yes	No	N/A	Total	%
Payments						
A50-020.05	If advance issued, sponsor was eligible for advance	17	0	7	24	100.0%
A50-020.10	Advance amounts are compliant with Treasury Board and FAS policy	17	0	7	24	100.0%
A50-020.15	Only April forecasted expenditures are paid out of previous year funds	2	0	22	24	100.0%
A50-020.20	All required claim forms are on file	17	1	6	24	94.4%
A50-020.25	Claims are accompanied by an activity report and supporting financial documentation if required by Agreement	15	1	8	24	93.8%
A50-020.30	Reimbursed expenses are allowable according to HRSDC policy, program terms and conditions and the Agreement	16	1	7	24	94.1%
A50-020.33	Proper expenditure coding has been applied	19	2	3	24	90.5%
A50-020.35	Claim amounts for April support the advance amount issued from the previous fiscal year	1	0	23	24	100.0%
A50-020.45	Claim forms are correctly signed by sponsor	18	0	6	24	100.0%
A50-020.50	Budget forecast amended as required	4	0	20	24	100.0%
A50-020.55	Correct delegation of authority according to Section 34	17	3	4	24	85.0%
A50-020.65	At least two people have initialled/signed/input/approved payment requisition	20	0	4	24	100.0%
Monitoring						
A60-030.05	A risk assessment and Monitoring plan, completed prior to Agreement start, is on file	23	1	0	24	95.8%
A60-030.10	If plan completed, monitoring has been done according to plan or rationale is on file	12	2	10	24	85.7%
A60-030.30	Monitoring frequency satisfies HRSDC requirements	19	0	5	24	100.0%

APPENDIX F

ANNUAL PROGRESS AND AUDIT REPORT - SECTION 23

Clause		CFGGP	EHTF	RMOC	COH	COT	GS
(a)	Report on the progress made on implementing the work plan for the fiscal year, including achievement of targets set out in Appendix G; and a list of all Eligible Projects funded during the fiscal year together with observations on successes, problems, concerns and any lessons learned.	NO	YES	YES	NO	YES	NO
(b)	The amount paid during the year by the Recipient in respect of the Eligible Project Costs for each Eligible Project and a description of the progress achieved in carrying out each Eligible Project during the year.	NO	YES	YES	NO	YES	NO
(c)	A list of all other Community Plan projects and activities undertaken during the fiscal year together with a description of the progress achieved in carrying out those other projects and activities and the amount of expenditures made during the fiscal year in relation to them from funds contributed by other sources.	NO	NO	YES	NO	YES	NO
(d)	A financial and performance audit report of the management of the Contribution prepared by an independent auditor and containing the following information.	NO	NO	YES	YES	YES	NO
(d-i)	A statement certifying that all costs claimed by the Recipient for the fiscal year were in accordance with the Agreement except as noted in the report.	NO	NO	YES	YES	YES	NO
(d-ii)	An identification of unexpended balances of advances of the Contribution.	YES	YES	YES	YES	YES	NO

Clause		CFGGP	EHTF	RMOC	COH	COT	GS
(d-iii)	An identification of other income relative to the Agreement such as interest earned, GST rebates, etc.	YES	YES	YES	YES	YES	NO
(d-iv)	A list of any claimed costs which are not supported by adequate documentation or were ineligible.	NO	NO	N/A	YES	YES	NO
(d-v)	An opinion on the adequacy of Recipient's internal financial management procedures and controls. The auditor should conduct a sample account verification of claims and supporting documentation submitted by third parties to ensure that the Recipient has adequate controls in place to ensure that funds are used as intended under the Agreement. The size of the sample should be based on relative risk associated with third parties.	NO	NO	YES	YES	YES	NO
(d-vi)	An opinion on the effectiveness of the Recipient's project monitoring. At a minimum, the auditor should review the Recipient's monitoring plans and document the basis and frequency for monitoring, review the tools for documenting monitoring visits to assess their effectiveness and review actual monitoring reports for comparison to plans.	NO	NO	YES	YES	YES	NO
(d-vii)	Suggestions for improvements to remedy any deficiencies noted in the opinions referred to in paragraphs (v) and (vi).	N/A	N/A	YES	YES	N/A	NO
(d-viii)	Comments on the steps taken by the Recipient to remedy any deficiencies noted in the previous year's audit report.	N/A	N/A	YES	N/A	N/A	NO