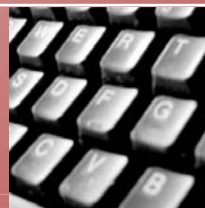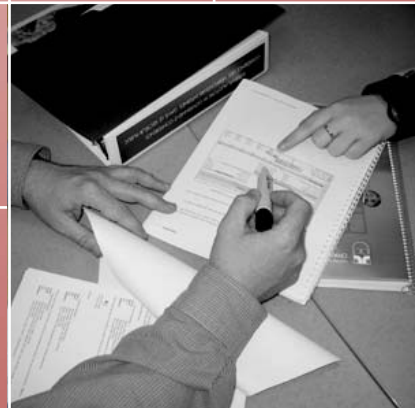# Audit of the Learning Initiatives Program (LIP)

Audit of the Learning Initiatives Program (LIP)

Project No: 6525/03

Project Team

Director General: J.K. Martin
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APPROVED:

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September 2004

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EXECUTIVE SUMMARY

PROTECTED

, Human Resources Development Canada (HRDC) developed a Risk-Based Audit Framework (RBAF) which provided for the completion of an audit of LIP by March 31, 2004. This audit was undertaken to comply with that requirement.

The objective of Learning Initiatives Program is to support HRDC's interest in promoting a lifelong learning culture in Canada, and more specifically, to encourage and support partnership initiatives that will contribute to the development of a more results-oriented, accessible, relevant and accountable learning system.

Learning Strategies and Support Division (LSS) is responsible for LIP program delivery, including project development and ongoing administration of projects. LSS is a division of the Learning and Literacy Directorate (LLD) of HRSDC. LIP is a contributions program which supports a broad range of stakeholders with an interest in advancing learning in Canada. Through agreements with stakeholders of the learning community, LIP establishes and enhances important federal/provincial partnerships and collaborates with key national organizations to address national learning priorities.

The audit objective was to provide assurance that the activities eligible under the LIP Terms and Conditions (Ts&Cs) are appropriately managed. The audit assessed the management framework and operational processes within LIP and is based upon the five audit criteria as listed in Appendix A, *Audit Objectives, Criteria and Methodology*. The management control framework assessment was completed by reviewing program documentation, conducting interviews, analysing program and financial information, and examining individual project files.

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

> *We conclude that, overall, the Learning Initiatives Program is well managed and that good administrative and financial controls are in place and are functioning well.*

Recommendation

Even if we conclude that, in the overall, the program is well managed; Learning Strategies and Support Division should strengthen some of its project financial controls, particularly ensuring that advance payments are always made in accordance with Treasury Board and Financial and Administrative Services policies.

Overall client response:

The audit of the Learning Initiatives Program (LIP) was undertaken to provide assurances that the activities eligible under the LIP Terms and Conditions (Ts&Cs) were appropriately managed. We are pleased with the overall findings that the LIP is well managed and that good administrative and financial controls are in place and are functioning well.

We agree with the Audit recommendations and have instituted and reinforced financial controls to respond to the audit results.

We would like to note that issues with advance payments were primarily related to technical difficulties with the computerized Common System for Grants and Contributions (CSGC) that necessitated work-around processes to process claims and issue advances. Technical difficulties related to advance payments have now been resolved by Systems. We are continuing to work with Systems to address other systems problems as they are identified.

1. INTRODUCTION

PROTECTED

, Human Resources Development Canada (HRDC) developed a Risk-Based Audit Framework (RBAF) which provided for the completion of an audit of the Learning Initiatives Program by March 31, 2004. This audit was undertaken to comply with that requirement.

Background

LIP was introduced in 1994 as part of a comprehensive five-year Youth and Learning strategy. Its aim is to encourage and support initiatives that contribute to the development of a results-oriented, accessible, relevant and accountable learning system in Canada. Through this program, Human Resources Development Canada (HRDC) has collaborated with key partners in the development and implementation of a wide variety of national and international initiatives in support of lifelong learning.

The objective of LIP is to support Human Resources and Skills Development Canada's (HRSDC) interest in promoting a lifelong learning culture in Canada, and more specifically, to encourage and support partnership initiatives that will contribute to the development of a more results-oriented, accessible, relevant and accountable learning system. The activities eligible for support through LIP include a wide range of pursuits that can contribute to the establishment of a lifelong learning culture in Canada.

The sub-objectives of LIP are the following:

1. to support partnerships between governments, non-government organizations, the private sector and others in the area of learning;

2. to promote innovation and relevance in the establishment of learning policies and programs; and

3. to support initiatives that contribute to the establishment of national learning goals, enhance research and analysis, increase academic mobility (both national and international), and promote information dissemination.

To be eligible for consideration, the proposed initiatives must:

- be of finite duration;
- be consistent with the objectives of LIP;
- not establish a requirement for ongoing funding;
- not have taken place without the support of LIP;
- contribute, in a cost-effective manner, to the objectives of the LIP;
- comply with program requirements; and
- demonstrate the capacity of the applicant to successfully complete the project.

Learning Strategies and Support Division (LSS) is responsible for LIP program delivery, including project development and ongoing administration of projects. LSS is a division of the Learning and Literacy Directorate (LLD) of HRSDC. LIP contributions program is delivered centrally by National Headquarters and is intended to support a broad range of stakeholders with an interest in advancing learning in Canada. Through agreements with stakeholders of the learning community, LIP seeks to establish and enhance important federal/provincial partnerships and collaboration with key national organizations to address national learning priorities.

LIP is a relatively small program with only 15 approved projects during the period covered by the current Terms and Conditions, from July 2000 until December 2003. The program is funded out of the Consolidated Revenue Fund (CRF). The CRF funds are governed by LIP Terms and Conditions. Further, the Learning Strategies and Support Division manages the related complementarities with Research and Innovation (R&I). R&I is funded from Part II of the *Employment Insurance Act* and is not included in the scope of this audit.

The following table shows the budgeted amounts for LIP and R&I for the past three years.

	Learning Initiatives Program	**Research and Innovation**
2001/02	$1,900,000	$651,000
2002/03	$1,030,000	$204,000
2003/04	$950,000	$1,750,000

Note: In 2003-2004, $50,000 of the $1,000,000 LIP budget has been reallocated to Literacy Secretariat.

Audit objective

The audit objective was to provide assurance that the LIP activities eligible under the LIP. Terms and Conditions are appropriately managed.

The audit conclusion is based on evidence examined in support of the following audit criteria:

1.1 Program objectives and funding eligibility criteria are clear and understood.

1.2 Strategic and operational plans are designed and implemented to optimize the use of program funds.

1.3 Management understands the risks facing the program and the risks are being managed.

1.4 Administrative and financial controls have been designed and implemented, especially:

- applications meet program Terms and Conditions;
- more deserving projects are funded;
- terms of payment are met; and
- there is good stewardship of program funds.

1.5 Performance information on achievement of program objectives and results is reported at different levels of the organization and used for decision-making.

Methodology

An assessment of the management control framework was completed by reviewing program documentation, conducting interviews, analysing program and financial information and examining individual project files.

HRSDC's Performance Tracking Directorate (PTD), whose mandate is to provide assurance that grants and contribution funds are appropriately managed and expended in accordance with the program's terms and conditions, reviewed only one file during the period examined. The audit team examined an additional five contribution files to assess the management of LIP. The file review did not represent a statistically valid sample but provides indicative information on administrative and financial controls.

All file review findings have been discussed and validated with program staff and management.

Scope

The audit assessed the management framework and operational processes within LIP and is based upon the five audit criteria as listed in Appendix A, *Audit Objectives, Criteria and Methodology*. The files reviewed pertained to work conducted by the auditee since the renewal of the Terms and Conditions in July 2000 until December 2003.

As already mentioned, the audit did not include activities funded under the Employment Benefits and Support Measures (EBSM) Terms and Conditions (EI Part II).

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

2. AUDIT FINDINGS

All significant audit findings are presented in this section in accordance with the audit objective and criteria, which are described in detail within Appendix A Audit Objectives, Criteria and Methodology.

Audit Objective

The audit objective is to provide assurance that the Learning Initiatives Program activities eligible under the LIP Terms and Conditions are appropriately managed.

Audit Criterion No. 2.1
Program objectives and funding eligibility criteria are clear and understood.

Program objectives and funding eligibility criteria are clear and understood by project officers, the program manager, the Director and program applicants. The program objectives and funding eligibility criteria are clearly stated in the: Ts&Cs; website; program guidelines; and application package. In our opinion, the information contained within all of the documents is consistent. This consistency helps to ensure that the program objectives and eligibility criteria are clear. The program objectives and eligibility criteria are broad but this does not pose a difficulty as the objectives and criteria are intelligible and easy to comprehend.

When a Call for Proposals (CFP) process has been used, the objectives have been targeted towards a specific type of activity. All of the files examined had project objectives in line with program objectives and complied with the funding eligibility criteria.

We conclude that this criterion is met as the program objectives and funding eligibility are clear and understood.

Audit Criterion No. 2.2
Strategic and operational plans are designed and implemented to optimize the use of program funds.

Program Funds

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. LIP funds are obtained through the reallocation of departmental funds. The allocation is done on a year-by-year basis, making it challenging to fund multi-year projects. The instability of the Learning Strategies and Support (LSS) Division funds was outlined in the Organizational Review Report of the LSS division produced by an external consultant in 2003.

The goal of the Organizational Review was to assess all aspects of the organization (including resources) in order to provide recommendations that would improve the effectiveness and efficiency of the Division's program delivery. The merging of the administration of the International Academic Mobility Initiative and the LIP program is intended to assist in the effective management of available funds.

Further, LIP is currently focused on delivering on the Prior Learning Assessment and Recognition (PLAR) element of HRSDC's integrated Workplace Skills Development Initiative which was put in place in fall 2002, using both the Employment Insurance Part II Research and Innovation Support Measure, and part of the CRF-based Learning Initiatives Program. The two million dollars available to implement this Initiative is taken into account in the LSS strategic business plan for 2003/2004.

In September 2003, $500,000 from the Office of Learning Technologies and $500,000 from the National Literacy Secretariat were allocated to LIP. This provided for greater funding stability for LIP, although it is not a permanent allocation.

Strategic and Operational Planning

Staff is involved and consulted in the planning process. LSS staff had a half-day session where strategic and operational planning are discussed. After that, the priorities, resources (FTEs and O&M) and activities to undertake are discussed at the operational unit level in an all-day session.

An analysis of the Business Plans of the Learning Strategies and Support Division and Learning and Literacy Directorate and the strategic directions for LSS reveals the link between these documents. The branch strategic directions inspire the strategic directions for the LSS Business Plan and are the basis for the plan. The Business Plan is reviewed on a quarterly basis and changes are made to reflect changes in the environment (e.g. new priorities).

Judicious effort is made to ensure a good and participative planning exercise. We have concluded that strategic and operational plans are designed and implemented to optimize the use of program funds.

Audit Criterion No. 2.3
Management understands the risks facing the program and the risks are being managed.

Program level

In January 2004, representatives of LIP participated in a day-long Risk Self-Assessment Session. This session identified the major risks associated with achieving LIP objectives and developed risk-mitigation strategies.

At the Risk Self-Assessment session, the five following areas were identified as being most at risk:

1. funding challenges;
2. renewal of Terms and Conditions (Ts&Cs) challenges;

3. human resources challenges;

4. administrative challenges; and

5. program design challenges.

In the session, the three first risks obtained 88% of votes at the prioritization phase. The level of risk associated with the administrative challenges and program design challenges were perceived as minor. Therefore, we examined only the funding, renewals and human resources challenges.

1. Funding challenges

The main issues concerning funding challenges were identified as being the following:

- not enough dollars to do all "Big Impact" proposals as the Program is valued at a modest $1 million annually, in the face of considerable stakeholder interest;

- sustainability of resource level;

- program funding is viewed as a pressure; and

- unfunded or under-funded program may result in questions why the program exists.

Different mitigating strategies were planned or put in place. The main ones are:

- annual strategic planning includes aligning priority setting and resourcing;

- stakeholder/proposal selection is merit-based process; and

- monthly budget program review includes comparison of spending forecast against actual spending, allowing for constant monitoring of potential slippage.

Consideration is also being given to:

- building flexibility in renewed Terms and Conditions to address new and emerging learning priorities; and

- seeking additional funding to respond to new emerging priorities identified through LIP.

In 2001, LIP received 69 proposals through its Call for Proposals (CFP) which had been posted on the LIP website. LIP staff did an initial assessment to select well-developed proposals which most closely responded to the program's objective, priorities and HRSDC's mandate. Each decision, rejected or approved for further steps, was documented. The proposals that met LIP criteria were sent to a review committee who scored them and provided a rationale for the results. Out of the initial 69 proposals, 27 have been approved for review committee consideration and only 6 proposals have been funded. It should be noted that LIP is very careful not to over promote the program due to the limited resources available.

Despite the fact that these strategies may mitigate the risk, participants in the Risk Self-Assessment session rated this risk area as high.

2. Renewal of Ts&Cs challenges

The renewal of the Ts&Cs was also a risk area for the program. **PROTECTED**
. A number of proposals for multi-year agreements have been received under the most recent Call for Proposals process.

Many mitigating strategies were planned or put in place, such as:

- a critical path for the renewal of LIP Ts&Cs has been developed;
- a one-year extension to the LIP Ts&Cs will be sought from the HRSDC Minister as permitted under the TB Transfer Payment Policy;
- **PROTECTED**
  ;
- one dedicated LSS officer to be responsible for the renewal of LIP Ts&Cs and requesting the extension of the LIP Ts&Cs until March 31, 2006;
- LLD conducting an inventory of learning programs across the Government of Canada to determine if we share common outcomes; and
- stakeholders seeking financing have been verbally advised that renewal of the Ts&Cs is being sought.

Consideration was also being given to:

- promotion of the value of the program inside and outside of the government; and
- initiating discussions within the department to reopen the *Employment Insurance Act*, with the intention of integrating learning into Employment Benefits and Support Measures and broadening the parameters of eligible expenditures.

Nevertheless, this risk was also rated as high. The audit team is also concerned with multi-year project approval without having firm funding commitment.

3. Human resources challenges

The human resources risk is a concern at the departmental and branch level as it is outlined in the corporate and branch risk profiles. The main concerns related to human resources were:

- need to ensure a critical mass of trained and skilled project officers; and
- workload exceeding FTEs due to staff turnover.

These potential areas of concern, however, are felt to be mitigated by the following mitigation strategies:

- develop learning plans;
- provide information sessions, guidance and coaching to staff;
- align human resources with priorities in the business plan;

- regulate staffing (make everyone indeterminate in their position, remove actings);

- ensure human resources decisions produce the right competencies;

- evaluate workload on an ongoing basis; and

- enhance communication between policy and program delivery units.

All the employees interviewed stated they had access to training opportunities. Also, they mentioned that specific amount of money is allocated to attend professional or personal training or development activities. As well, each employee has a learning plan.

The LSS Business Plan 2003-2004 outlines the human resources needed for each initiative the program wants to undertake. Moreover, each employee is indeterminate in their current position. The project selection process (see criterion 2.4) encourages communication between policy and program delivery groups.

Despite the development of all these mitigating strategies, the program management still thought that the level of risk associated with the human resources challenges was high. For now, LIP has three key officers, although two of them have been with the program only for a few months. The departure of one of these officers would be difficult for LIP due to the loss of corporate knowledge and the increase in the workload for the remaining officers.

Based on the results of the Risk Self-Assessment session, the audit team, as well as the program managers, have concluded that overall risk level for LIP is low. This assessment was based on the following:

- the Learning Initiative Program's relatively small operating budget of $1 million, which is expected to remain constant under the renewed Ts&Cs;

- to date, there are only five LIP contribution agreements, and they all expire before the Ts&Cs are renewed; and

- some projects have been examined either externally or internally and generally had positive results.

Project level

At the project level, the Learning Initiative Program Risk-Based Audit Framework (RBAF) outlines that a risk assessment is undertaken at the outset of each project to determine the levels of monitoring required. The risk criteria employed include:

- dollar value of the project;

- complexity of the project activities;

- number of funders;

- number of participants;

- previous experience with the sponsor;

- duration of the agreement; and

- public profile of the agreement.

On the basis of the risk assessment form, a monitoring plan is established for each project. Further, LIP is dealing with respected and well-established organizations. A weekly case management meeting allows staff to discuss risks related to a specific project.

We conclude that this criterion is met. Management understands the risks facing the program, and those risks are being managed.

Audit Criterion No. 2.4
Administrative and financial controls have been designed and implemented.

The project file review is our primary source of information to assess this criterion. As mentioned in the Terms of Reference (TOR), this audit focused mainly on the following controls:

- applications meet program Terms and Conditions;

- more deserving projects are funded;

- terms of payment are met; and

- there is good stewardship of program funds.

The project file review covered the period of the current Ts&Cs at the time of the audit. The population was composed of 15 files. The Performance Tracking Directorate examined only one file and concluded that there was an appropriate level of documentation in the area of application, assessment, recommendation and approval, contracting, payments, monitoring, compliance with Terms and Conditions, and general administration.

In addition to the file reviewed by PTD, the audit team examined five additional project files to assess the management of LIP. This assessment was based on 41 criteria divided in the various phases of the contribution lifecycle: proposal, assessment, recommendation and approval, agreement, monitoring, payments, compliance with Ts&Cs, and closeout. Results are presented in Appendix C.

Of the 41 criteria identified, only two were identified as requiring improvements by the program area. Our specific findings were as follows:

Applications meet program Terms and Conditions

- In most of the contribution files reviewed, the requirements of the Terms and Conditions were respected.

More deserving projects are funded

- LIP applications are obtained through a call for proposal (CFP) process or an in-take (ad-hoc) process. Both processes ensure that the most deserving projects are funded. The CFP process is very structured and all CFP's are based on the strategic priorities identified for the program.

- The proposals received through the CFP are first screened through an initial review which ensures that the proposals fit the basic criteria identified for the program. They are then subjected to a detailed assessment by members of an HRSDC Committee. Projects are also

reviewed by an external committee. Only the highest ranking proposals are funded, where funding is available;

- Ad-hoc proposals are assessed to ensure they fit with the program's strategic priorities and that all required documentation has been received. They then go through a similar review process as those received under a Call for Proposals process;

- Budgets included in project proposals are reviewed to ensure that all budget items are eligible and reasonable; and

- Proposals that have passed the assessment process and have been identified for potential funding are approved by the Minister. The Project Officer prepares the documentation for Ministerial approval and it is signed off by the Manager, the Director, the Director General, and finally the Assistant Deputy Minister. Once the proposal has been approved by the Minister, it is returned to the Project Officer for negotiation of the agreement. The audit team concluded that the approval process allows for more deserving projects to be funded.

- Promotion of the LIP is intentionally limited as the program area indicated that it is important not to create false expectations amongst potential sponsors when limited funding is available.

Terms of payment are met

- The file review indicated that most of the conditions relating to the terms of payment were respected. However, three issues, which in no way jeopardize the integrity of the file, have been identified:

1. Advance payments have been done without reconciliation of previous claims which is not allowed under the *Policy on Transfer Payments* and *Financial and Administrative Policy on Grants and Contributions*.

2. The second issue relates to the use of percentages to claim administrative costs. While these percentages were always well below 10%, there was not always clear identification on the file of the breakdown of costs.

3. The last issue noted is that there was, at times, an unexplained variance between the amount claimed by the sponsor and the amount of the payment. However, variance amounts were not significant.

Stewardship of program funds

- Most of the files reviewed indicate that there is good stewardship of program funds;

- Employees have the resources required to adequately manage the projects.

  - They have access to program guidelines and policies.

  - There are regular staff meetings and weekly case study meetings where staff can bring forward problems for discussion. The discussions and resulting recommendations become a learning experience for all team members. Informal discussions among employees, with the senior officers and the manager are also important resources.

- There is a Program Operations Consultant (POC) who provides direction to the team. She seeks input from the Branch level during Branch level Gs and Cs meetings, when necessary.

- The employees felt comfortable that they possess the skills required to do the job and that they have access to additional training, if required;

- In terms of quality assurance, the files are reviewed by the senior officer and the manager, particularly on financial aspects of the work.

- Monitoring is done by the project officer responsible for the file. There is a detailed checklist to guide the program officers in their monitoring visits. Financial and activity monitoring are both part of on-site and direct monitoring. During an on-site monitoring visit, program officers look at original receipts and invoices, general ledgers, supporting documentation, capital costs, paper trails, separate accounts and cheques. When it comes to the activity aspects, they look at the link between activities and objectives, eligibility of the activities and the status of the project as it compares to the planned milestones. The same officer is responsible for both the monitoring visits and the follow-up. As it may create a risk in terms of segregation of duties; an officer should not have full control of the whole process.

- The HRSDC's Operational Guide on grants and contributions is very detailed and provides a good overview of the monitoring process to follow. The LSS Policy and Procedures manual provides details specific to the LIP program.

The Financial Management Services Unit (FMSU) has been created to help LLD programs to manage the financial side of the activities. This initiative is linked to the Specialization work recently done by Human Investment Programs and Employment Programs branches. The main responsibilities of FMSU are:

- financial assessment of applications, if required by programs;

- quality assurance of initial advance package;

- quality assurance review of claim with subsequent advance;

- quality assurance review of progress payment;

- financial reports; and

- financial monitoring.

The FMSU should be operational in May 2004, and, to our opinion, it should allow for a greater segregation of duties related to the financial side of the program delivery.

We conclude that this criterion is met. Good administrative and financial controls are in place and are functioning well. Some aspects of the project financial controls could be strengthened.

> ***Recommendation***
>
> *Learning Strategies and Support Division should strengthen some of its financial controls to ensure that:*
>
> - *variances between amounts claimed and payments made to sponsors are always explained;*
>
> - *there is always a rationale to support the use of percentage rate for administrative/overhead costs; and*
>
> - *advance payments are always made in accordance with Treasury Board and Financial and Administrative Services policies.*

Audit Criterion No. 2.5
Performance information on achievement of program objectives and results is reported at different levels of the organization and used for decision-making.

Project level

Project objectives are linked to performance information and performance indicators which are part of the contribution agreement (Appendix A). This ensures that sponsors indicate how they will measure performance for each activity. Project results data (e.g. partnerships, level of funding, information dissemination, and number of policies) is collected in the Contribution Assessment System (CAS). Project information contains all information on a given project. The CAS provides financial reports on a request basis and filters may be applied to obtain specific file information. Further, some information is tracked in the Common System for Grants and Contributions (CSGC).

Program level

As part of the Performance Measurement Strategy, a LIP Objectives, Outcomes and Indicators framework has been developed to determine the degree to which the objectives of the LIP have been achieved. All the performance indicators mentioned in the Results-Based Accountability Framework have been measured and reported in a three-page Excel report. This report is updated every year. In addition, project status is discussed informally during the weekly case management meeting.

The majority of performance indicators are reported yearly, but selected performance indicators are reported quarterly to the Directorate Management Committee. A year-to-year comparison of performance indicators is undertaken. Even if LIP produces reports at the branch level, the small size of the program prevents the LIP reports from being rolled-up in the departmental reports.

LIP management outlined the difficulties in measuring the outcomes of the program with numerical targets, the preference is qualitative targets to assess adequately program outcomes.

The results reports, the follow-up on business plans and the Corporate Management System budget reports are discussed at the management meetings and used for financial decision-making. Although the Common System for Grants and Contributions (CSGC) is currently under development, it is expected that the CSGC will produce useful additional reports.

The audit team considers that enough performance information is available at the different level of the organization to help them for decision-making.

3. CONCLUSION

We conclude that, in the overall, the Learning Initiatives Program is well managed and that good administrative and financial controls are in place and are functioning well. However, some aspects of the project financial controls need to be strengthened.

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.

The management action plan is presented in Appendix B.

Overall client response:

The audit of the Learning Initiatives Program (LIP) was undertaken to provide assurances that the activities eligible under the LIP Terms and Conditions (Ts&Cs) were appropriately managed. We are pleased with the overall findings that the LIP is well managed and that good administrative and financial controls are in place and are functioning well.

We agree with the Audit recommendations and have instituted and reinforced financial controls to respond to the audit results.

We would like to note that issues with advance payments were primarily related to technical difficulties with the computerized Common System for Grants and Contributions (CSGC) that necessitated work-around processes to process claims and issue advances. Technical difficulties related to advance payments have now been resolved by Systems. We are continuing to work with Systems to address other systems problems as they are identified.

Internal Audit Services, HRSDC

APPENDIX A
AUDIT OBJECTIVES, CRITERIA AND METHODOLOGY

AUDIT OBJECTIVE

The audit objective is to provide assurance that LIP activities eligible under the Learning Initiatives Terms and Conditions are appropriately managed.

AUDIT CRITERIA:

The audit conclusion is based on evidence examined in support of the following audit criteria:

2.1   Program objectives and funding eligibility criteria are clear and understood.

2.2   Strategic and operational plans are designed and implemented to optimize the use of programs funds.

2.3   Management understands the risks facing the program and the risks are being managed.

2.4   Administrative and financial controls have been designed and implemented, especially:

- applications meet program Terms and Conditions;

- more deserving projects are met;

- terms of payment are met; and

- there is a good stewardship of program funds.

2.5   Performance information on achievement of program objectives and results is reported at different levels of the organization and used for decision-making.

AUDIT METHODOLOGY:

As LIP is a national, centrally-delivered program, the audit was conducted entirely at NHQ from January to March 2004. The assessment of the management control framework was completed by reviewing program documentation, holding interviews, analysing program and financial information and examining individual project files.

The audit relied partially on file review results reported by HRSDC's Performance Tracking Directorate (PTD), whose mandate is to provide assurance that grants and contribution funds are appropriately managed and expended in accordance with the program's Terms and Conditions.

In addition to the files reviewed by PTD, the audit team examined five contribution agreements to assess management of LIP. The file review does not represent a statistically valid sample but provides indicative information on administrative and financial controls. All file review findings have been discussed and validated with program management.

AUDIT SCOPE:

The audit assessed the management framework and operational processes within LIP and was based upon the five audit criteria listed above. The files reviewed pertained to work conducted by the auditee since the renewal of the Ts&Cs in July 2000.

The audit does not include activities funded under the Employment Benefits and Support Measures Terms and Conditions (EI Part II).

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

APPENDIX B
MANAGEMENT ACTION PLAN

IARMS Recommendations	Management Action Plan	Expected Completion Date	Responsibility
Learning Strategies and Support Division should strengthen some of its financial controls to ensure that:	Learning Strategies and Support division has strengthened its financial controls. LIP procedures manuals are currently being updated and refined and staff is being trained accordingly.	September 15, 2004	Program Manager
▪ variances between amounts claimed and payments made to sponsors are always explained;	▪ Rationales for variances between amounts claimed and payments made to sponsors are now always detailed and noted on file. Implementation of a new standardized form ensures variances are fully explained;	completed	Program Manager
▪ there is always a rationale to support the use of percentage rate for administrative/ overhead costs; and	▪ Reimbursement will be based on actual costs supported by a rationale;	completed	Program Manager
▪ advance payments are always made in accordance with Treasury Board and Financial and Administrative Services policies.	▪ Advance payments are always made in accordance with Treasury Board and Financial and Administrative Services policies. Earlier problems with advance payments were primarily related to technical difficulties with the computerized Common System for Grants and Contributions (CSGC). Technical difficulties related to advance payments have now been resolved by Systems. We continue to work with Systems to address other systems problems as they are identified; and	completed	HRSDC Systems
	▪ Earlier difficulties with advances related to tardiness of sponsors submitting their claims have been remedied by ongoing monitoring and regular communication with sponsors to ensure timely claim receipt, reconciliation and advance requests as per Treasury Board guidelines.	completed	Program Manager

APPENDIX C
FILE REVIEW RESULTS

		Yes	No	N/A

PROPOSAL

1	The application includes clear project objectives.	5	0	0
2	The application includes detailed activities.	5	0	0
3	The application includes targeted recipients.	5	0	0
4	The objectives outlined in the application are in line with the program objectives.	5	0	0
5	The activities outlined in the application are in line with the project objectives.	4	1	0
6	The application includes expected results/outcomes that are in line with the achievement of program objectives.	5	0	0
7	Recipients meet program eligibility criteria for funding.	5	0	0

ASSESSMENT

8	The activities in the application are eligible.	5	0	0
9	The expenditures in the budget and cash flow are described enough to determine easily what they covered.	4	1	0
10	The expenditures are eligible.	5	0	0
11	The amount asked for funding is less or equal to $300 000 per year.	5	0	0
12	Documentation evidencing an in-depth assessment is on file (review committee, questions asked to sponsors, etc.)	5	0	0
13	Documentation evidencing that the budget was evaluated by HRDC and other sources of funding are clearly identified and evaluated to ensure staking requirements are met.	4	1	0
14	DARS check is on file (outstanding debt to HRDC).	5	0	0
15	There is evidence on file that the assessment of the program officer is reviewed by someone else.	5	0	0
16	Project objectives are linked to performance information.	5	0	0

RECOMMENDATION AND APPROVAL

17	The recommendation includes a rationale for funding (project synopsis, rationale, checklist).	5	0	0
18	The recommendation is on file and includes supporting documentation.	5	0	0

AGREEMENT

19	A formal agreement is on file.	5	0	0
20	The responsibilities of each party are described in the agreement.	5	0	0
21	The maximum amount of financial support and cost-sharing arrangements if any are described in the agreement.	5	0	0
22	The criteria and/or conditions under which payments will be made are described in the agreement.	5	0	0
23	The type and nature of expenditures that would be considered eligible costs under the contribution program are described in the agreement.	5	0	0
24	The payment schedule and maximum duration of the approved funding is on file.	5	0	0
25	The commitment was completed prior to HRDC signing the agreement.	4	1	0

MONITORING

26	A risk assessment is on file.	5	0	0
27	A monitoring plan is on file.	5	0	0
28	The monitoring plan is reasonable according to the degree of risks and takes into account many aspects (not only according to the form in the file).	5	0	0
29	The monitoring plan is respected and the monitoring takes place accordingly.	4	1	0
30	Project activities and costs were monitored for compliance with agreement.	5	0	0
31	Contributions from other partners and in-kind contributions were verified, where applicable, on a financial visit.	3	1	1
32	Follow-up to the monitoring report(s) was (were) initiated or completed.	4	0	1

PAYMENTS

33	Payments are in accordance with the conditions stated in the agreement.	5	0	0
34	Payments are in accordance with Treasury Board and HRDC policies.	1	4	0
35	Payments were carried out with the correct delegation of authority according to Section 34.	5	0	0
36	Early payment (holdback provision) was justified, if it is the case.	0	0	5
37	Variances between amounts claimed and payments are explained.	2	2	1
38	The difference between forecasted amounts and actual is explained.	3	1	1

COMPLIANCE WITH T & C

39	There is no evidence of restriction in funding (preferred organisation).	5	0	0
40	The responsibilities in the file follow the principle of segregation of duties.	5	0	0

CLOSEOUT

41	The final contribution was paid after receipt of the final claim form.	3	0	2