



**Canadian
Heritage**

**Patrimoine
canadien**

**REPORT ON THE
AUDIT OF THE
ABORIGINAL FRIENDSHIP CENTRES PROGRAM (AFCP)**

CORPORATE REVIEW BRANCH

CANADIAN HERITAGE

FEBRUARY 25, 2004

Canada

TABLE OF CONTENTS

EXECUTIVE SUMMARY

1.0	INTRODUCTION AND BACKGROUND	1
2.0	OBJECTIVES	3
3.0	SCOPE	3
4.0	METHODOLOGY	3
5.0	CONCLUSIONS	4
6.0	OBSERVATIONS AND RECOMMENDATIONS	5
6.1	Performance Measurement and Reporting	5
6.2	Risk Management	7
6.3	Monitoring and Recipient Audits of the NAFC and PTAs	10
6.4	Program Payment Structure	11
6.5	Signing of Funding Agreements	12
6.6	Requirement for Interim Reporting	13
6.7	Bilingual Service Capability	14
6.8	PCH Role in Developing Program Criteria and Guidelines	14
6.9	External Reporting of Performance	15

ANNEX A AUDIT OBJECTIVES AND CRITERIA



EXECUTIVE SUMMARY

The audit of the Aboriginal Friendship Centres Program was conducted pursuant to the approved PCH Audit and Evaluation Plan for 2002-2003. The objectives of the audit were to provide program management with assurance that management controls, risk management frameworks and overall governance structure are effective and information that can be used to improve the management of the program, to develop risk management frameworks where appropriate, and to enhance the Program's success in meeting its objectives.

Audit conclusions are based on the assessment of findings against pre-established criteria and reflect the audit work carried out between January 10, 2003 and March 31, 2003. In our opinion, sufficient audit work has been performed and the necessary evidence has been gathered to support the conclusion contained in this audit report.

In general, the audit team found that management controls, risk management frameworks and overall governance structure for the program are effective. The audit team did however identify some areas where management practices and risk management frameworks can be strengthened to enhance the program's success in meeting its objectives. These areas include the implementation of procedures to ensure that:

- Program performance measures and program performance requirements are clearly identified and communicated to all stakeholders.
- A strategy and plan for conducting monitoring activities sufficiently addresses performance reporting requirements.
- The management of risks associated with Friendship Centre governance and financial management are addressed.
- A strategy and plan for conducting training for NAFC, PTA and Friendship Centre Board members on sound governance and for executives on prudent financial management is developed and that sufficient training is carried out.
- A strategy and plan for conducting monitoring activities and recipient audits sufficiently addresses risks associated with Friendship Centre governance and financial management, and that monitoring and recipient audits, including visits, are carried out in accordance with the plan.
- A strategy and plan for conducting monitoring and recipient audits of the NAFC and the PTAs are developed and that monitoring and recipient audits, including visits, are carried out in accordance with the plan.
- A decision is made prior to renewal of program terms and conditions on whether to pursue retaining the current payment structure or amend the payment structure to comply with the Policy on Transfer Payments cash management



policy.

- All funding agreements between the NAFC and the PTAs and the FCs are signed and returned on a timely basis.
- Special funding agreements for FCs in Difficulty are prepared and signed by the NAFC in all cases.
- Monitoring activities address the requirement for recipients to submit unaudited interim financial statements and interim activity reports prior to making second advance payments.
- Services are available in both official languages for the NAFC annual general meeting and for the handling of requests by the NAFC during the year.
- PCH provides input into the development of the AFCP Criteria and Guidelines.
- External and Departmental performance reporting requirements of the TBS Policy on Transfer Payments are met at the time the program terms and conditions are renewed.



1.0 INTRODUCTION AND BACKGROUND

In 2003, the Assurance Services Directorate of the Corporate Review Branch, Canadian Heritage (PCH) conducted an audit of the Aboriginal Friendship Centres Program (AFCP). The objectives of the audit were to provide AFCP program management with assurance that management controls, risk management frameworks and overall governance structure are effective, and provide information that can be used to improve program management and to enhance the Program's success in meeting its objectives. For the 2001-2002 and 2002-2003 fiscal years, the audit reviewed program design and implementation, program management control framework and due diligence practices, program processes and risk management practices.

AFCP's mandate is to maintain a network of Friendship Centres (FCs) in urban areas. The objective of the Program is to improve the quality of life for Aboriginal people in off-reserve Aboriginal communities by supporting self-determined activities that encourage equal access to and participation in Canadian society, and that respect and strengthen Aboriginal cultural distinctiveness. Towards this end, FCs provide community-based programs and services to a growing urban Aboriginal population. The range of services has increased from basic referral to cultural programs, justice and policing projects, disabled persons programs and basic social services, among others. Core funding under the AFCP was designed to provide FCs with stable operational funding from which they could begin to access other funding from a variety of sources to address need identified by their community.

In 1972, the federal government formally recognized the viability of FCs and implemented the Migrating Native Peoples Program. After this program was enriched in 1983 to the Native Friendship Centre Program, it became the AFCP in 1988 which secured its status as a permanent program.

Administration and delivery of the AFCP was transferred from the Department of Canadian Heritage (PCH) to the NAFC through a Memorandum of Understanding (MOU) signed in 1995. The MOU outlined the intent and scope of the transfer. The MOU was consistent with and recognized Canada's commitment to building new relationships with Aboriginal peoples based on trust, mutual respect and participation in the decision-making process, and in providing the necessary tools required to become self-sustaining.

The NAFC was established in 1972 to represent the growing number of FCs at the national level. Its primary objectives are to act as a central unifying body for the FC Movement, to promote and advocate the concerns of Aboriginal Peoples, and to represent the needs of local FCs across the country to the federal government and to



the public in general.

As part of the AFCP, administrative duties, such as the review of funding applications and annual reports, are delegated by the NAFC to seven Provincial and Territorial Associations (PTAs). The PTAs are regionally based and administer FCs with whom they are aligned. The NAFC administers non PTA aligned FCs.

PCH has a five year Transfer Agreement with the NAFC (expiring March 31, 2006) that contributes \$14,632,048 in core funding per year for the AFCP. Funding is designed for two primary activities:

- Program Administration, which includes those actions necessary to administer the budget for Program Delivery; and
- Program Delivery, which includes those actions necessary to operate an FC and the NAFC and to carry out projects that are consistent with Program authorities.

PCH provides program funding to the NAFC who in turn distributes funding to recipients, the FCs, the PTAs, as well as itself.

The annual budget of \$14,632,048 for these activities is allocated to recipients as follows:

Table 1: Program Budget Allocation

Recipient	Administration	Program Delivery
NAFC	\$202,000	\$516,079
PTAs	\$490,000	
FCs		\$13,423,969

Program delivery funds include \$76,096 to the NAFC for official languages, and \$248,543 to FCs for Remoteness Allowance.

99 FCs currently receive program funding. In 2001-2002 and 2002-2003, additional funding of \$849,048 and \$1,341,365 respectively was provided for 17 previously unfunded FCs.

The audit of the AFCP was conducted pursuant to the approved PCH Audit and Evaluation Plan for 2002-2003.



2.0 OBJECTIVES

The objectives of the audit were to provide AFCP program management with:

- assurance that management controls, risk management frameworks and overall governance structure are effective; and
- information that can be used to improve the management of the program, to develop risk management frameworks where appropriate, and to enhance the program's success in meeting its objectives.

3.0 SCOPE

The scope of the audit examined funding decisions from April 1, 2001 to March 31, 2003. Areas that were addressed included program design and implementation and program management framework and processes, including the application of due diligence in the review of funding applications, the ongoing monitoring of approved funding and the reporting of results achieved. The audit fieldwork was conducted in the winter, 2003.

4.0 METHODOLOGY

The audit was conducted in accordance with generally accepted auditing standards, and the standards and requirements set out in the Treasury Board Secretariat (TBS) *Policy on Internal Audit*.

The audit approach to address audit objectives included the development of audit criteria against which observations, assessments and conclusions were drawn. These criteria were derived primarily from the *Attributes of a Well Managed Grant or Contribution Program* outlined in the Office of the Auditor General (OAG) publication, *A Framework for Identifying Risk in Grant and Contribution Programs* and the TBS *Policy of Transfer Payments* (Policy on Transfer Payments).

The criteria used to address the audit objectives were approved by the Department's Corporate Review Branch. The criteria address both the design of the program as well as the program management framework and processes in place for the program. Audit objectives and specific criteria are included in Annex A of this report.

Work performed included:



- conducting interviews with PCH program management;
- conducting interviews with NAFC Executive Director and program managers;
- conducting interviews with all PTA Executive Directors and/or program co-ordinators;
- conducting interviews with 10 FC Executive Directors;
- reviewing relevant program documentation including:
 - TBS approved terms and conditions for the program
 - funding agreement templates
 - governance documents for the NAFC, seven PTAs and 10 FCs
 - guidelines and procedures manuals, where applicable, for the NAFC, the PTAs and 10 FCs
- conducting a risk assessment on key contribution program activities and processes;
- conducting a detailed review of files supporting the funding decision between PCH and NAFC;
- conducting detailed reviews of files supporting funding decisions between the NAFC and all seven PTAs; and
- conducting detailed reviews of a representative sample of files supporting funding decisions between the NAFC and 35 FCs. The detailed file review coverage achieved over the two year scope of the audit is outlined below:

Table 2: Audit Scope Coverage

FISCAL YEAR	\$ VALUE OF AUDITED RECIPIENTS	PROGRAM BUDGET	% OF TOTAL \$ AUDITED	NUMBER OF FILES	NUMBER OF FILES AUDITED	% OF FILES AUDITED
2002/2003	\$ 4,591,554	\$ 14,965,115	29 %	116	35	30 %
2001/2002	\$ 4,415,901	\$ 14,273,017	31 %	116	35	30 %

5.0 CONCLUSIONS

The audit team’s conclusions are based on the assessment of findings against the pre-established criteria as defined in Section 4.0 above and reflect the audit work conducted between January 10, 2003 and March 31, 2003. In the audit team’s opinion, sufficient audit work has been performed and the necessary evidence has been gathered to support the conclusions contained in this audit report. Based on the audit methodology employed, the audit team was able to provide assurance that in general, management



controls, risk management frameworks and overall governance structure for the program are effective. The audit team identified areas where management practices and risk management frameworks can be strengthened to enhance the Program's success in meeting its objectives. The findings and recommendations that follow address these areas.

6.0 OBSERVATIONS AND RECOMMENDATIONS

6.1 *Performance Measurement and Reporting*

From our detailed reviews of file documentation for the funding agreement between PCH and NAFC and for a sample of funding agreements between the NAFC and recipients (PTAs and FCs), the audit team found that activity reports are being provided by recipients in accordance with the funding agreement. There was evidence of monitoring by the NAFC and the PTAs to ensure that activity reports were being submitted by recipients. It was found, however, that the quality of activity reports was not consistent among recipients, and that the reports generally provided a narrative description of programs being offered or activities undertaken. The format of activity reports ranged from a copy of an Annual Report to a two to three page program summary. In a few cases, FCs provided statistics on clients who were benefitting from FC programs. It was noted that recipients provide extensive program information, including objectives and planned activities, at the time applications for funding were submitted.

The audit found that the consolidation of performance information obtained from recipients is not being done on an ongoing basis by either PCH or NAFC. The NAFC has been going through significant change over the past year and has plans to undertake activities to improve the consolidation of individual recipient performance information obtained from recipients.

From our interviews with executives of the NAFC, PTAs and a sample of FCs, and the review of program documentation, it was found that there is uncertainty about key program performance measures, and that there is a need for additional guidance to recipients in this area. In the funding agreements between PCH and NAFC, and between the NAFC and recipients (PTAs and FCs), accountability for the production of activity reports is provided but there is no guidance on how to produce these reports. AFCP Criteria and Guidelines, which form part of the funding agreements, include a requirement for NAFC to collect the reports based on data collected and for FCs to collect "community based data". The AFCP Criteria and Guidelines do not provide guidance on what specific data should be collected. The collection, consolidation and



reporting of relevant performance information will allow program management to better assess performance against program objectives. This information could also be used as a basis to re-assess the allocation of funding among FCs and PTAs, should the need to do so arise.

The RMAF requires identification of key program long term outcomes, shorter term outcomes and outputs, performance measures, and key activities required to achieve the preceding items. The RMAF will also have to address strategies, plans and accountability/responsibility to capture and report necessary performance information. In addressing the RMAF and performance measurement and reporting, PCH should take into consideration the nature of the AFCP as a core funding program. In addition, the performance reporting requirements for other programs should be considered to ensure that information reported under the AFCP is complementary and not redundant.

6.1.1 Recommendation that the Director, Aboriginal Programs Directorate:

Ensure that program performance measures and program performance requirements are clearly identified and communicated to all stakeholders, particularly funding recipients, and reflected in the following documents:

- **clauses of funding agreements between PCH and NAFC and between the NAFC and the PTAs or FCs**
- **AFCP Criteria and Guidelines.**

6.1.1 Management Response

A performance monitoring strategy is being established by PCH and the NAFC in the context of the current program renewal process. This will include the identification and communication of performance requirements and measures that will be reflected in a RMAF, in clauses of funding agreements, and in AFCP criteria and guidelines.

PCH will continue to work with its Aboriginal partners to develop a strategy to improve communications involved in the management and operations of AFCP projects. Program Renewal process underway - completed March 2005. Communication strategy April 2004.



6.1.2 Recommendation that the Director, Aboriginal Programs Directorate:

Ensure that a strategy and plan for conducting monitoring activities sufficiently addresses performance reporting requirements.

6.1.2 Management Response

A performance monitoring strategy is being established by PCH and the NAFC in the context of the current program renewal process. This will include monitoring activities of the NAFC that sufficiently address performance reporting requirements. Program renewal process underway. Completed March 2005.

PCH will work with representatives from its Aboriginal partners to develop a strategy to accelerate skill development for PCH and NAFC staff involved in the management and operations of AFCP projects. Capacity Building strategy April 2004.

6.2 Risk Management

Through interviews with PCH and NAFC management, the audit team found that a sound governance framework at the NAFC, PTA and FC levels and prudent financial management of FCs are critical to ensure success of the AFCP.

The review of the present governance of the NAFC, the seven PTAs and a sample of 10 FCs found that sound governance frameworks are in place. In many cases, best practices such as term limitations for Board members have been implemented. The review of the present financial management of a sample of 10 FCs did not identify any issues. Our review of management letters prepared by the external auditors of the above organizations supported this finding.

The audit team learned that FC governance issues (primarily the existence of related Board members and Board interference with operations and management of organizations), have surfaced in the past, and that this often has led to financial difficulties and inhibited the ability of organizations to obtain program funding. Consequently, FC governance and financial management remain key program risk areas that need to be managed as part of the management framework of the program. The risks can be addressed by the following components of the management framework:

- *Risk Based Audit Framework.* The RBAF will have to identify the key program



risks as well as strategies and plans to manage them.

- *Funding Agreements.* Current funding agreements between the NAFC and FCs address financial reporting requirements, but they do not include requirements to disclose relationships between Board members and between Board members and organization executives.
- *Funding Application Process and Forms.* Current funding application forms do not include a requirement to disclose relationships between Board members and between Board members and organization executives.
- *Training.* Training for Board members on sound governance and for executives on prudent financial management has been undertaken either by the NAFC or PTAs from time to time. However, this has not been done consistently as part of an ongoing systematic plan. Executives of the NAFC and the PTAs stated that limited funding has prevented additional training from taking place.
- *Monitoring and/or Recipient Audits of FCs.* To date, monitoring conducted by PTAs and the NAFC has focused primarily on following up on the delivery of required documentation to support the first and second advance payments. Other monitoring, including visits to FCs, has been limited and informal, and has not specifically addressed governance and financial management. Interviews with PTAs revealed that limited funding has prevented a sufficient number of visits to recipients from taking place. In addition, recipient audits of FCs have not been performed. It was noted that quarterly meetings take place between PTAs and FCs, and FC related issues are discussed.

6.2.1 Recommendation that the Director, Aboriginal Programs Directorate:

Ensure that the management of risks associated with FC governance and financial management are addressed in the following documents:

- **clauses of funding agreements between the NAFC and FCs**
- **funding application forms that cover funding agreements between the NAFC and FCs.**

6.2.1 Management Response

In the context of the current program renewal process, the management of risks associated with FC governance and financial management will be addressed in the Risk-Based Audit Framework (RBAF). Program renewal process underway. Completed March 2005.



PCH will work with representatives of the NAFC to assist the NAFC in the development of its risk management strategy. Capacity Building strategy April 2004.

6.2.2 Recommendation that the Director, Aboriginal Programs Directorate:

Ensure that a strategy and plan for conducting training for Board members on sound governance and for executives on prudent financial management is developed and ensure that sufficient training is carried out, in light of the availability of program funding.

6.2.2 Management Response

The NAFC developed and updates its orientation manual for its Board and Executive Committee, which includes information on governance and financial management. Last update in September 2003.

The NAFC provides training sessions to its Board and Executive Committee on governance and financial management. Last training session November 2003.

No PCH funding is made available to the NAFC for training. In the context of the current program renewal process, PCH will consider funding pressures to enhance training. Program Renewal process underway. Completed by March 2005.

6.2.3 Recommendation that the Director, Aboriginal Programs Directorate:

Ensure that a strategy and plan for conducting monitoring activities and recipient audits sufficiently addresses risks associated with FC governance and financial management, and that monitoring and recipient audits, including visits, are carried out in accordance with the plan, in light of the availability of program funding.

6.2.3 Management Response

A performance monitoring strategy is being established by PCH and the NAFC in the context of the current program renewal process.



This will include monitoring activities of the NAFC that sufficiently address risks associated with FC governance and financial management. Program Renewal process underway. Completed by March 2005.

PCH will work with the NAFC to enhance the NAFC's monitoring activities with its PTAs to sufficiently address risks associated with FC governance and financial management. It is the responsibility of PTAs to conduct monitoring activities with FCs to sufficiently address risks associated with FC governance and financial management. Capacity building strategy, April 2004.

PCH will consider the NAFC in its Plan of Recipient Audits, in light of the availability of funding. It is the responsibility of the NAFC to conduct audits of its PTAs and the responsibility of PTAs to conduct audits of FCs. Ongoing.

6.3 Monitoring and Recipient Audits of the NAFC and PTAs

To date, monitoring of the NAFC by PCH program management and the PTAs by the NAFC, including visits, has been limited and informal. In addition, recipient audits have not been performed. Annual NAFC board meetings are attended by PCH and the PTAs and key issues are discussed. There are ongoing informal relations between PCH and NAFC management, and between NAFC and PTA management.

Site visits and interviews indicated that there are opportunities to improve administrative processes, such as file management, and monitoring processes at the NAFC and PTAs. Ongoing, formal monitoring and recipient audits of the NAFC by PCH, and the PTAs by NAFC, would minimize the risk of inadequate processes at the NAFC and PTA levels.

6.3.1 Recommendation that the Director, Aboriginal Programs Directorate:

Work closely with the Executive Director, NAFC, to ensure that a strategy and plan for conducting monitoring and recipient audits of the NAFC and the PTAs are developed and that monitoring and recipient audits, including visits, are carried out in accordance with the plan, in light of the availability of program funding.

6.3.1 Management Response



A performance monitoring strategy is being established by PCH and the NAFC in the context of the current program renewal process. This will include monitoring activities of the NAFC. Program Renewal process underway. Completed by March 2005.

PCH will work with the NAFC to enhance the NAFC's monitoring activities with its PTAs. It is the responsibility of PTAs to monitor activities of FCs. Program Renewal process underway - completed March 2005.

PCH will consider the NAFC in its Plan of Recipient Audits, in light of the availability of funding. It is the responsibility of the NAFC to conduct audits of its PTAs and the responsibility of PTAs to conduct audits of FCs. Ongoing.

6.4 Program Payment Structure

The current program design covered by the terms and conditions provides for making two advance payments each fiscal year: one on or about April 1; and the second on or about September 1. Ministerial approval for these advance payments was explicitly provided and documented as part of the terms and conditions.

Section 7.6 of the Policy on Transfer Payments contains cash management policies, including provisions related to advance payments. More specifically, it states:

- Transfer payments should not be paid to recipients in advance of need; payments should be timed to correspond as closely as practicable to recipients' cash flow requirements;
- Departments *must* base any provision for advance payment of a contribution on prudent cash management principles, i.e. the amount of each advance should be limited to the immediate cash requirements based on a monthly cash flow forecast from the recipient;
- Where advance payments are necessary to meet program objectives, departments *must* not exceed specific payment frequencies as defined in Appendix B to the Policy on Transfer Payments (Appendix B limits the payment frequency to monthly where annual contribution amounts exceed \$500,000 and provides for more frequent payments where annual amounts are \$500,000 or less);
- Departments can seek TBS approval for exceptions to this policy on the basis that added administrative costs of more frequent payments are greater than the



- additional interest costs of the government in paying faster or that government policy or program objectives would be compromised; and
- Where exception has been approved, departments *must* in arriving at the transfer payment, deduct the amount of interest cost reasonably expected to be incurred by the government for such an exception, unless otherwise approved by TBS.

This would entail presentation of a business case to justify recipients' need for the advance payments, demonstrate that the administrative cost of doing otherwise would not be justified and that program objectives would be compromised.

6.4.1 Recommendation that the Director, Aboriginal Programs Directorate:

6.4.1 Management Response

PCH will examine its payment structure in the context of the current program renewal process, recognizing that the AFCP is delivered through a transfer agreement with the NAFC, and that the most appropriate mechanism must be selected to facilitate the effective and efficient administration of funding under the AFCP. Program Renewal process underway. Completed by March 2005.

6.5 Signing of Funding Agreements

Since the commencement of the AFCP in 1996, funding agreements have been established between: PCH and NAFC; NAFC and each PTA; and NAFC and each FC. In 1996, agreements covering a five year term were established, followed by the establishment of another five year agreement effective 2001.

The audit found that 15 FCs did not sign the 1996 funding agreement with the NAFC. It was also found that funding agreements between the NAFC and the PTAs and FCs effective 2001 were not sent out for signature until December 2002. To the date of this audit report, 51 agreements from PTAs and FCs have been signed. Payments have continued to be made in the above cases where there were no signed agreements. These payments were made further to meeting terms and conditions that are in the agreements. Signed funding agreements strengthens accountability among program stakeholders, minimizes key program risks and enhances value for money of the program.

Special funding agreements are entered into with FCs that are assessed as an FC in



Difficulty. These special agreements contain more frequent, smaller payments and contain stringent reporting requirements for the FC. The audit team found that in some cases, these special agreements are being prepared by PTAs and are being signed by the PTA and the FC and not the NAFC, even though funding is being provided from the NAFC.

6.5.1 Recommendation that the Director, Aboriginal Programs Directorate:

Ensure that all funding agreements between the NAFC and the PTAs and the FCs are signed and returned on a timely basis.

6.5.1 Management Response

PCH will continue to work with the NAFC to reinforce necessity that all funding agreements with PTAs and FCs are signed and returned on a timely basis. Ongoing.

6.5.2 Recommendation that the Director, Aboriginal Programs Directorate

Ensure that special funding agreements for FCs in Difficulty are prepared and signed by the NAFC in all cases.

6.5.2 Management Response

PCH will continue to work with the NAFC to reinforce necessity that special funding agreements for FCs in Difficulty are prepared and signed by the appropriate authorities in all cases. Ongoing.

6.6 Requirement for Interim Reporting

The terms and conditions for the program and funding agreements between PCH and NAFC and between the NAFC and PTAs include the requirement for unaudited interim financial statements and interim activity reports to be submitted by recipients prior to the issue of second advance payments. Funding agreements between the NAFC and the FCs include an obligation for FCs to submit unaudited interim financial statements, but this requirement is not tied to the second advance payment.

The audit team found that these interim documents are being submitted by the NAFC to PCH, but not by the other recipients to the NAFC. In addition, it was found that FCs and



PTAs were not aware of this reporting requirement and that requests for this information have not been made by the NAFC.

The review and monitoring of interim financial reports would assist in detecting recipients that may be encountering financial difficulty on a more timely basis.

6.6.1 Recommendation that the Director, Aboriginal Programs Directorate:

Work closely with the Executive Director, NAFC to ensure that monitoring activities address the requirement for recipients to submit unaudited interim financial statements and interim activity reports prior to making second advance payments.

6.6.1 Management Response

PCH will continue to request that the NAFC submit unaudited interim financial statements and interim activity reports prior to making second advance payments, and that the NAFC continues to request unaudited interim financial statements and interim activity reports from PTAs and FCs prior to making second advance payments. Ongoing.

6.7 Bilingual Service Capability

The funding agreement between PCH and the NAFC and the AFCP Criteria and Guidelines include the obligation for the NAFC to provide services to eligible recipients in both official languages. Funding from both the AFCP and the Official Languages Program are provided for this purpose.

As a result of the visit to the Quebec PTA, the audit team found that there are opportunities to improve bilingual services for the NAFC annual general meeting and for handling ongoing telephone requests by the NAFC during the year.

6.7.1 Recommendation that the Director, Aboriginal Programs Directorate:

PCH provides funding to the NAFC for the provision of services in both official languages. PCH will continue to work with the NAFC for funding to be used for the translation of material for and the



proceedings of its Annual General Meeting, and for the handling of requests during the year. Ongoing.

6.7.1 Management Response

PCH will continue to provide funding to the NAFC for the translation of material for and the proceedings of its Annual General Meeting, and for the handling of requests during the year.

6.8 PCH Role in Developing AFCP Criteria and Guidelines

The NAFC is responsible for the development of AFCP Criteria and Guidelines that govern the program. This document is in the process of being revised and approved by the NAFC Board of Directors. The interview with PCH management revealed that PCH has not provided input into the document. PCH input would ensure that the requirements of the TBS Policy on Transfer Payments and the terms and conditions for the program are respected in the AFCP Criteria and Guidelines.

6.8.1 Recommendation that the Director, Aboriginal Programs Directorate:

Work closely with the Executive Director, NAFC to ensure that PCH provides input into the development of the AFCP Criteria and Guidelines.

6.8.1 Management Response

PCH will work with the NAFC to ensure that the NAFC's internal AFCP criteria and guidelines are in accordance with the PCH AFCP criteria and guidelines. March 2005.

6.9 External Reporting of Performance

The TBS Policy on Transfer Payments requires departments to have detailed reporting on performance and results. The policy requires that for each transfer payment program with transfers in excess of \$5 million, departments must include in the Departmental Report on Plans and Priorities supplementary descriptive material, such as stated objectives, expected results and outcomes, and milestones for achievement. In addition, departments must include in the Departmental Performance Report evidence of results achieved, related to results commitments and specific planned



results as stated in their Reports on Plans and Priorities. These Policy on Transfer Payments requirements will apply to the AFCP at the time the terms and conditions are renewed, which will have to be done by no later than March 31, 2005.

Current departmental practices on program reporting would not comply with the above requirements as follows:

- the PCH 2002-2003 Estimates - Part III Report on Plans and Priorities provides only a brief narrative description of elements of the AFCP; and
- the Performance Report for the period ending March 31, 2001 includes only summary financial information on total program spending.

We understand that external reporting of program performance and results is a departmental issue. External reporting is coordinated by the Corporate Planning and Management Branch with information provided by the programs.

6.9.1 Recommendation that the Director, Aboriginal Programs Directorate:

Work closely with the Corporate Planning and Management Branch to ensure that external and Departmental performance reporting requirements of the TBS Policy on Transfer Payments are met at the time the program terms and conditions are renewed.

6.9.1 Management Response

The current program renewal process will address reporting requirements of the TBS Policy on Transfer Payments. Program Renewal process underway. Completed by March 2005.

The Aboriginal Affairs Branch will continue to work closely with officials of the Corporate Planning and Management Branch, via officials of the Strategic Policy and Management Branch, to provide input to external and Departmental performance reporting. Ongoing.



ANNEX A - AUDIT OBJECTIVES AND CRITERIA

Audit Objective 1. <i>Provide AFCP Program management with assurance that management controls, risk management frameworks and overall governance structure are effective</i>	
<i>Criteria 1.</i>	Program Terms and Conditions are in accordance with the TBS Policy on Transfer Payments and clearly articulate the Program’s objectives and results.
<i>Criteria 2.</i>	The Results Based Management Accountability Framework (RMAF) & Risk Based Audit Framework (RBAF) are in accordance with TBS Policy on Transfer Payments and TBS RMAF & RBAF Guidelines.
<i>Criteria 3.</i>	Due diligence is exercised in the funding approval process to ensure that all of the Program Terms and Conditions are addressed.
<i>Criteria 4.</i>	Program guidelines are in accordance with the TBS Policy on Transfer Payments and with program objectives
<i>Criteria 5.</i>	There is adequate stakeholder representation in the governance structure of the NAFC, the PTAs and the FCs.
<i>Criteria 6.</i>	Roles and responsibilities of stakeholders are clearly communicated, defined and understood.
<i>Criteria 7.</i>	Adequate policies, guidelines and training are in place to deliver the program, and to ensure stakeholders understanding of program objectives and expected results including eligibility requirements.
<i>Criteria 8.</i>	A FC in financial difficulty is allocated funds with a “Special Agreement”.
<i>Criteria 9.</i>	Template Contribution Agreements (including “Special Agreements” and third party agreements) address program Terms and Conditions.
Audit Objective 2. <i>Provide AFCP program management with information that can be used to improve the management of the program, to develop risk management frameworks where appropriate, and to enhance the program’s success in meeting its objectives.</i>	
<i>Criteria 1.</i>	Potentially eligible and worthy recipients are well aware of the program
<i>Criteria 2.</i>	Information obtained during the funding application process is adequate for funding decision-making purposes.
<i>Criteria 3.</i>	There are adequate resources to deliver the program.
<i>Criteria 4.</i>	The funding level is appropriate/fair to the recipient.
<i>Criteria 5.</i>	There is an appropriate level of relevant and adequate information to assess performance against program objectives.



<i>Criteria 6.</i>	Payments are made in compliance with contribution agreement clauses and are based on adequate reporting of performance and results.
<i>Criteria 7.</i>	Payments are made to FCs in financial difficulty only where there is a "Special Agreement".
<i>Criteria 8.</i>	Monitoring activities minimize the risk that funds are not being spent as intended and that program performance and results are not being achieved; When applicable, monitoring activities identify appropriate actions to be taken to address issues.
<i>Criteria 9.</i>	Monitoring activities identify FCs "In-Difficulty" on a timely basis.
<i>Criteria 10.</i>	A sufficient number of risk-based recipient audits are selected that address risk(s) identified in monitoring, and appropriate actions are taken to address issues.