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PROGRAM AUDIT OF THE ABORIGINAL LANGUAGES INITIATIVE

October 20, 2004

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EXECUTIVE SUMMARY

In 2003, the Assurance Services Directorate of the Corporate Review Branch, Canadian Heritage (PCH) conducted an audit of the Aboriginal Languages Initiative (ALI) which is administered by the Aboriginal Programs Directorate (APD). Under this program funding is provided to First Nations, Inuit and Metis organizations to help revitalize and maintain Aboriginal languages.

The objectives of the audit were to provide PCH program management with assurance that management control frameworks and management practices are appropriate to ensure compliance, program delivery, program effectiveness and financial integrity; that information for decision-making and reporting is timely, relevant and reliable; that risk management strategies and practices are suitable and deliver the intended results; and that the program design and implementation reflects the objectives of the Department.

The audit examined the contribution agreements for 2001-2002 and 2002-2003 that were in place between PCH and the Assembly of First Nations (AFN), between the AFN and its regional delivery agents, and between PCH and six Inuit and Metis organizations.

The audit team is of the opinion that the existing management control framework for ALI needs to be enhanced to improve: compliance with the approved terms and conditions and the Treasury Board *Policy on Transfer Payments*, program delivery, program effectiveness and financial integrity. Current practices have resulted in recipients claiming administrative costs in excess of the maximum amount set out in the approved terms and conditions; contribution agreements not reflecting all elements of the management control framework that were stipulated in the approved program terms and conditions; payments being made before all the required reports had been submitted; insufficient identification of outcome and output measures; limited analysis of the reports provided by recipients; and a project selection process that did not maximize the likelihood that desired results would be achieved.

The information for decision-making was frequently provided late if provided at all, and was not necessarily relevant. APD did not set out a very prescriptive reporting framework for recipients which resulted in the insufficient information it had to base decisions upon for the program.

No formal risk management strategies and practices were implemented for ALI. The failure to address risks such as the capacity of the delivery agents and recipients, known changes in the capacity of a delivery agent, recipients' performance track record



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and the adequacy of APD resources to manage the program, negatively impacted on the successful delivery of the program.

The program design and implementation did not fully reflect the objectives of the Department. While the immediate objectives of the program were addressed, there was nothing that explicitly addressed the objective of focussing on early language learning.



1.0 INTRODUCTION

The Aboriginal Programs Directorate (APD), of the Department of Canadian Heritage (PCH), supports Aboriginal infrastructures at national, regional and community levels for First Nations, non-status Indian, Métis and Inuit living off-reserve. Its programs are crucial to facilitating the efforts of off-reserve Aboriginal communities to improve their quality of life and their place in Canadian society. The Aboriginal Programs Directorate administers several funding programs, one of which is the Aboriginal Languages Initiative (ALI).

Objectives of this program were to increase the number of Aboriginal language speakers; expand the domains in which Aboriginal languages are spoken; and, to increase the rate of inter-generational transmission. Funding under the ALI is intended to support community-based Aboriginal languages projects with a focus on early language learning.

The ALI completed its initial four year funding period from 1998-1999 to 2001-2002 and was then extended for another year in 2002-2003 under the same terms and conditions. A multi-year contribution agreement with the Assembly of First Nations (AFN) was in place during the first four years of the program, agreements with the Métis National Council (MNC), the Inuit Tapirisat Kanatami (ITK) and affiliates were for one year. A single year agreement was signed with the AFN for the 2002-2003 extension period. It is expected that the program will continue for another fiscal year before an Aboriginal Languages and Cultures Centre (ALCC) becomes operational with programming designed to address community-based languages and cultures initiatives.

Funding for the ALI has been allocated among three major language groupings - First Nations/Indian languages (75% of funding), the Michif language (10% of funding) and Inuktitut (15% of funding). PCH is working with Aboriginal organizations to deliver the ALI: the AFN for First Nations/Indian languages; the ITK and its affiliates for Inuktitut and the MNC and its affiliates for the Michif language.

The AFN utilizes 5% to 10% of the available funds for national coordination and administration. Of the remaining funds, 70% is allocated to its provincial and territorial affiliates which act as regional delivery agents directly funding community based projects. The remaining 30% goes to the Woodlands Cultural Centre, in Brantford Ontario, to administer Critically Endangered Languages (CEL) projects. Regional delivery agencies report back on their activities to the AFN. The AFN is in turn responsible to report on all the ALI First Nations funding to PCH.



The MNC and the ITK and their regional affiliates signed funding agreements directly with PCH to administer the ALI. The regional affiliates report directly to PCH on their activities rather than through their national organization. The MNC and ITK play a role of national coordination, development and policy for long-term planning and policy development for language strategies, in cooperation with their regional affiliates.

2.0 OBJECTIVES AND SCOPE

2.1 Objectives

The purpose of the audit was to provide APD program management with reasonable assurance on the soundness of its processes, and to identify opportunities to strengthen management practices. Accordingly, this audit addressed the following objectives:

- management controls frameworks (systems, procedures, controls and resources) and management practices are appropriate to ensure compliance, program delivery, program effectiveness and financial integrity.
- information for decision-making and reporting is timely, relevant and reliable.
- risk management strategies and practices are suitable and deliver the intended results.
- program design and implementation reflects the objectives of the Department.

2.2 Scope

The audit examined the APD management control framework and related program delivery mechanisms. Contributions provided during the fiscal years 2001-2002 and 2002-2003 were subject to audit.

Work was conducted in PCH's offices in Gatineau and in the offices of the AFN (the AFN acted as a third party delivery agent for PCH) in Ottawa.

3.0 METHODOLOGY

3.1 Criteria



Criteria against which observations, assessments and conclusions were drawn in conducting the audit were based on:

- the requirements of the October 1996 and the 2000 Treasury Board Secretariat *Policy on Transfer Payments*¹;
- the approved terms and conditions (T's & C's) of the ALI program;
- contribution agreements (CAs) between PCH and the delivery agents or recipients with which the department had a direct agreement covering the fiscal years 2001-2002 or 2002-2003.

Specific criteria for the four audit objectives are included in Annex A of this report.

3.2 Fieldwork

Audit fieldwork was carried out between November 2003 and February 2004. Specific audit activities included:

- Review of the approved T's & C's for the ALI for the period 1998-2002 and its extension for 2002-2003.
- Review of APD processes and procedures for the administration of the ALI.
- Review of a representative sample of ALI CAs and related files for the 2001-2002 and 2002-2003 fiscal years (see Table 1).
- Interviews with the Acting Director, the Acting Manager, the Policy Officer and the Program Officer of the APD, at PCH Headquarters.
- Interviews with Language and Administrative staff at AFN (the AFN acted as a third party delivery agent for PCH) headquarters in Ottawa.
- Review of accounting and program activity records relating to the ALI at the AFN headquarters.
- Telephone interviews with select regional ALI delivery agents.

The audit was carried out in accordance with the professional practice standards set out in the Treasury Board of Canada Secretariat's *Policy on Internal Audit* and by the Institute of Internal Auditors.

¹The revised policy took effect on June 1, 2000 and replaced the *Policy* dated October 15, 1996 and the *Policy on Repayable Contributions*. The approved terms and conditions for existing transfer payment programs continue to apply until the earlier of their expiry date or March 31st, 2005, at which time Departments must obtain Treasury Board approval to replace or renew the existing terms and conditions. An Information Notice issued by TBS on June 1, 2000 indicated that only transfer payment agreements signed after August 31st, 2000 were required to reflect the change in policy.

Table 1: File Sample

		2001-2002		2002-2003	
		# of recipients	Payments	# of recipients	Payments
First Nations ²	Total	1	\$3,690,000	1	\$3,675,215
Inuktitut	Sample	3	\$471,947	3	\$392,413
	Total	5	\$700,256	6	\$696,497
Michif	Sample	3	\$422,500	3	\$347,000
	Total	4	\$521,860	6	\$542,500
ALI program	Sample	7	\$4,584,447	7	\$4,414,628
	Total	10	\$4,912,116	13	\$4,914,212

4.0 CONCLUSIONS

The audit was conducted in accordance with the requirements set out in the Treasury Board *Policy on Internal Audit*. These standards require that the audit is planned and performed in a manner that allows the audit team to obtain assurance on the audit findings. In the audit team's opinion, it can be concluded, with assurance, that:

- the management control frameworks need to be enhanced to improve compliance, program delivery, program effectiveness and financial integrity. Current practices have resulted in:
 - recipients claiming administrative costs in excess of the maximum amount set out in the approved program terms and conditions;
 - contribution agreements not reflecting required elements of the management control framework that were stipulated in the approved program terms and conditions;
 - payments being made without the receipt of final financial and activity reports thus increasing the potential for over payments;
 - insufficient outcome and output measures being identified that could be used to monitor the achievement of results;

²Each of the AFN's Memorandum of Understanding with its eleven regional delivery organizations was examined for both years included in the scope of the audit.



- insufficient analysis of the reports provided by recipients;
 - a lack of an objective process to select the most highly rated proposals for funding so as to maximize the likelihood that desired results will be achieved.
- the information for decision-making was frequently provided late if provided at all, and was not necessarily relevant. PCH did not set out a very prescriptive reporting framework for recipients which contributed to the insufficient information it had to base decisions upon for the program.
 - no formal risk management strategies and practices were implemented for ALI. The failure to address risks such as the capacity of the delivery agents and recipients, known changes in the capacity of a delivery agent, recipients' performance track record and the adequacy of APD resources to manage the program, negatively impacted on the successful delivery of the program.
 - the program design and implementation did not fully reflect the objectives of the Department. While the immediate objectives of the program were addressed, there was nothing that explicitly addressed the objective of focussing on early language learning.

5.0 OBSERVATIONS AND RECOMMENDATIONS

5.1 Management Control Framework

5.1.1 Compliance with Appropriate Legislation, Policies and Agreements

Program managers are to design and implement programs in a manner consistent with delegated authorities and government policy. Several differences were noted between the requirements of the approved terms and conditions and the contribution agreements signed with recipients. These included:

- ***the amount permitted for administrative expenses.*** The approved T&Cs indicated that the costs associated with administering and delivering funding were not to exceed 15% of the total allocation.

PCH's agreement with the AFN for the first four years of ALI allowed for up to 5% of the contribution amount to be spent on national coordination and administration. The AFN entered into Memoranda of Understandings (MOU's) with its regional delivery agencies that limited administrative expenses to 10% of

the total amount available to them. As a result, less than 15% of the funds available were budgeted for administrative expenses at the national and regional level of the AFN which was consistent with the approved terms and conditions.

The agreement with the AFN for 2002-03 increased the amount of allowable administration costs at the national level to 12.5%. The AFN in turn, continued to permit its regional delivery agencies up to 10% of the total amount available to them for administration costs. As a result, up to 21.25% of the funds provided by PCH to the AFN were available under the terms of the agreements at the national and regional levels for spending on administration.

Of the six agreements between PCH and Métis and Inuit groups for 2001-2002 that were reviewed, five charged administrative expenses to the contribution. Three of the five organizations claimed administrative costs slightly in excess of 15% (15.19%, 15.57% and 16.8%). All of the agreements for 2002-2003 that were reviewed, included a specific budget amount for administration expenses. In two of the six files reviewed, the amount budgeted exceeded the 15% limit set out in the approved program terms and conditions.

APD did not have the delegated authority to permit the Aboriginal organizations to claim more than 15% for administrative expenses. When they determined that 15% was insufficient to cover reasonable expenses, they should have sought approval for revised program terms and conditions.

- **audited financial statements.** The approved program terms and conditions indicate that “The Aboriginal delivery organizations will provide to the Minister of Canadian Heritage a copy of their respective audited financial statements for the fiscal year covered by the contribution agreement.” In three of seven contribution agreements with Inuit and Metis organizations reviewed for 2001-2002, the requirement for audited financial statements was not included as part of the agreement. Two of these recipients nonetheless provided their audited financial statements to APD.

APD is required to ensure that the approved program terms and conditions are fully implemented as they establish the foundation upon which the overall program management control framework is built. By not including all the requirements set out in the approved terms and conditions in each contribution agreement, APD limited its ability to obtain financial information from recipients that could have been used to better inform APD as it managed the ALI program.

5.1.1 Recommendation



It is recommended that the Director, Aboriginal Programs Directorate ensure that the claimed administrative costs by recipients under the ALI respect the 15% maximum set out in the approved terms and conditions and if this is insufficient, that authority be sought for revised program terms and conditions.

5.1.1 Management Response

Recommendation accepted

The ALI will sunset at the implementation of the Aboriginal Languages and Cultures Centre (ALCC).

The Aboriginal Programs Directorate (APD) provided clarification on the eligibility and limitation of administration costs within the current terms and conditions by revising the program guidelines (completed).

The APD, in the context of the program renewal exercise, will review, for all its programs, the allocated amount for administration costs to determine if sufficient. (March 2005 for implementation in 2005-2006 fiscal year).

5.1.2 Recommendation

It is recommended that the Director, Aboriginal Programs Directorate develop and implement procedures to ensure that agreements reflect all of the obligations set out for recipients in the approved program terms and conditions.

5.1.2 Management Response

Recommendation accepted

The APD worked with the departmental Centre of Expertise for Grants and Contributions to develop, for the use of second parties, a contribution agreement template that reflects the obligations for recipients in the approved program terms and conditions (completed).



The APD worked with the departmental Centre of Expertise for Grants and Contributions to improve contribution agreements with third parties to reflect the obligations for recipients in the approved program terms and conditions (completed).

Differences were also noted between the payment practices followed and the requirements of the Treasury Board *Policy of Transfer Payments* that was in effect at the time. Both the 1996 and 2000 *Policy* state that payments should not be made unless the recipient has complied with all of the requirements of the contribution agreement (Section 6 in the 1996 *Policy* and 7.5.1 (vi) in the 2000 *Policy*). The 1996 *Policy* also required that “Final settlement of a contribution should be made only after the department has satisfied itself, preferably by audit, that the recipient has satisfied all the requirements of the contribution agreement.” (Paragraph 7.2 (i)).

The payment schedules in the agreements for 2001-2002 did not link the submission of final reports to the last payment under the contribution agreement. Final payments instead were linked to the receipt of interim reports, providing for payment before the end of the fiscal year. As discussed further in Section 5.2, final activity reports were not on file for two of the seven agreements examined.

The final payment to the AFN for 2002-2003 was only linked to the receipt of a final activity report. The 2000 *Policy on Transfer Payments* requires that “a portion of a contribution should only be paid following the final accounting for the contribution by the recipient”. This requirement is in place to reduce the risk of overpayments. Payments to the Metis and Inuit organizations was conditional for the most part upon receipt of both a final activity and financial report. One agreement was conditional only upon the receipt of a financial report.

5.1.3 Recommendation

It is recommended that the Director Aboriginal Programs Directorate ensure that final payment to all recipients be linked to the receipt of a final activity report and a final accounting of how the funds were utilized that is considered sufficiently detailed by APD.



5.1.3 Management Response

Recommendation accepted.

The APD clarified the reporting requirements of delivery partners by revising the program guidelines, and is working with organizations to address the necessity for adequate final activity and final accounting reports prior to the release of final payments (completed).

5.1.2 Identification, Monitoring and Assessment of Results

Identification of Results

The long-term objectives of the Aboriginal Languages Initiative are to:

- Increase the number of Aboriginal language speakers;
- Expand the domains in which Aboriginal languages are spoken; and
- Increase inter-generation transmission of Aboriginal languages.

The immediate objectives of the ALI are:

- To increase the number and quality of Aboriginal language projects in Aboriginal communities;
- To increase the number of communities involved in Aboriginal languages activities;
- To support the development of long-term strategies to revitalize and maintain Aboriginal languages; and
- To focus on early language learning.

As noted in the February 2003 *Aboriginal Languages Initiative Evaluation* undertaken for PCH by Consilium, “These objectives have not been stated in measurable terms other than the anticipation of an increase or improvement from pre-existing levels. In general, the desired outcomes of increased numbers of projects and increased numbers of communities involved have been achieved, although it is difficult to quantify these numbers since there is no baseline data.”

The original multi-year contribution agreement with the AFN that included 2001-2002, set out the long-term and immediate program objectives as outlined above. The agreements with other recipients for 2001-2002 and none of the agreements for 2002-



2003 included this level of detail. Many of the agreements simply indicated that the purpose of the agreement was “to provide project funding to help revitalize and maintain Aboriginal languages for future generations of Aboriginal people and other Canadians”.

The evaluation report made several recommendations with respect to improvements to ALI administration including the need for the “creation of more formal, measurable outcome and output measures to facilitate future evaluations”. We concur with this recommendation.

The development of a Results-based Management Accountability Framework (RMAF) as is now required for all new and renewed programs should also lead to the development of more measurable outcome and output measures. These measures, however, need to be identified to recipients in their contribution agreements so that the necessary information can be collected and reported to PCH on a regular basis.

5.1.4 Recommendation

It is recommended that the Director, Aboriginal Programs Directorate ensure that all contribution agreements with recipients under the ALI set out regular and timely reporting requirements against measurable outcome and output measures.

5.1.4 Management Response

Recommendation accepted

The ALI will sunset at the implementation of the ALCC.

The APD worked with the departmental Centre of Expertise for Grants and Contributions to develop, for the use of second & third parties, a contribution agreement template that clarifies the reporting requirements for recipients. The APD also revised program guidelines to clarify activities and results (completed).

Monitoring and Assessment of Results

Little evidence was found that demonstrated that the financial and activity reports submitted by the AFN, the ITK and its affiliates and the MNC and its affiliates, were used to guide the management of the program on an ongoing basis.

In both years under audit, APD relied on Financial Management to analyse the financial reports submitted by recipients. For the most part the analysis focussed on the overall financial health of the recipient based on the information in consolidated financial statements and did not address the extent to which budgets had been adhered to or the eligibility of claimed costs.

An improvement in the level of analysis was noted for 2002-2003 in comparison to 2001-2002. There were more financial and program activity analysis and monitoring activities documented on the files. Evidence of enhanced monitoring, primarily before projects were approved, was also found on file. None of this analysis, however, seemed to result in any change in how a recipient was dealt with.

Monitoring and assessment of results would be facilitated if all the recipients reported their information using a similar format. Because no standard reporting framework was developed by APD, each recipient developed their own approach to reporting on its results. One of the recommendations of the *Aboriginal Languages Initiative Evaluation Report* was that standardized, easy to use reporting systems for projects, and on-line data recording and collection systems for PCH and delivery organizations in order to track performance and progress, should be explored. In our opinion, the implementation of such a system would go a long way in facilitating the collection of similar data from all recipients so that progress towards the program objectives could be more effectively monitored.

5.1.5 Recommendation

It is recommended that the Director, Aboriginal Programs Directorate ensure that financial analysis undertaken of reports provided by recipients address the extent to which budgets have been adhered to and the eligibility of claimed expenditures.

5.1.5 Management Response

Recommendation accepted

The APD will continue to work to accelerate skill development for PCH and partners staff involved in the management and operations of programs to address the necessity for adequate financial analysis (training began February 2004. Implementation in 2004-05 fiscal year).



5.1.3 Approval of Recipients and Projects

As part of the design of the ALI, it was determined that funding would be allocated as follows:

- 75% to the AFN.
- 15% to the ITK and its affiliates
- 10% to the MNC and its affiliates.

The AFN, ITK and the MNC each determined internally how to allocate funding at the program outset.

The AFN Chief's Committee on Languages decided to distribute its available program funds equally to each of its ten regional delivery agencies. This was seen as being the most equitable way of distributing the limited funds. No consideration was given to the justification for the individual projects or the capacity of the different regional delivery agencies to meet the requirements of the program.

The regional delivery agencies utilized different approaches to determine how to allocate their funds. The regional delivery agencies that were primarily educational or cultural organizations tended to distribute their funds using a proposal process whereby funding was allocated to the higher rated projects. Many of the regional delivery agencies that were more political, tended to allocate the funds to groups without knowing exactly what they would do with it. These delivery agencies tended to have more difficulty in obtaining information on project outcomes that should have been reported back to the AFN for subsequent reporting to PCH in comparison to the delivery agencies that utilized a proposal process.

The MNC and ITK determined how to allocate funds between their organizations based on discussions and meetings with their regional affiliates. PCH accepted and worked with this allocation. Funding was reallocated by PCH only when an organization was unable to utilize its originally allocated funding. Any reallocation that occurred followed the recommendation of the MNC or ITK respectively.

PCH entered into contribution agreements each year with affiliates of the ITK and MNC on the basis of proposals. Proposals submitted by the ITK, the MNC and their affiliates were reviewed by a Branch Permanent Grants and Contributions Review Committee (BRC).

For the most part, whatever was proposed was accepted. Only two examples were noted where the requesting organization received an amount less than requested.



There appeared to be no minimum threshold that a proposal had to achieve to be accepted. One organization submitted almost exactly the same proposal in both 2001-2002 and 2002-2003, the only difference was the cover page had different dates.

A key expectation of all transfer payments is that they will be managed with due regard to economy, efficiency and effectiveness. To maximize effectiveness, one would expect that funding be allocated to those proposals expected to achieve the most results. This would require the development of an assessment grid that could be utilized to evaluate and rank proposed projects. Funding would then be provided to the highest ranked projects until the funding was exhausted and/or until some minimum point ranking was achieved. Such a process was not utilized by either PCH or all of the AFN's delivery agents.

The 2000 *Transfer Payment Policy* requires departments to describe in their contribution agreements with recipients who further distribute contribution amounts, the initial recipient's accountability and management framework. This framework is to include a clear, transparent and open decision making process and provide assurance that departmental requirements for selecting and managing projects are met. PCH has not done this with the AFN, which was the only recipient under the ALI who was acting as a third party delivery agent as defined by the *Policy*. The contribution agreement covering 2001-2002 outlined some of the AFN's administrative requirements but did not address the process by which projects would be selected. The contribution agreement for 2002-2003 did not address any of the AFN's responsibilities or management processes as a third-party delivery agent.

5.1.6 Recommendation

It is recommended that the Director, Aboriginal Programs Directorate develop and utilize an evaluation grid to rank proposals for funding under ALI and to provide funding only for the highest rated proposals that exceed some minimum threshold rating.

5.1.6 Management Response

Recommendation accepted

The ALI will sunset at the implementation of the ALCC.

The APD will continue to work with delivery partners to ensure their use of a clear, transparent and open framework in the selection of ultimate recipients for funding (completed).

5.1.7 Recommendation

It is recommended that the Director, Aboriginal Programs Directorate ensure that future agreements with third party delivery agents for the ALI include a description of the framework to be utilized by the delivery agent and its affiliates to select ultimate recipients for funding and that this decision-making process be clear, transparent and open.

5.1.7 Management Response

Recommendation accepted

The ALI will sunset at the implementation of the ALCC.

The APD will continue to work with delivery partners to reinforce the need that agreements with third parties include a description of a clear, transparent and open framework to be utilized in the selection of ultimate recipients for funding (completed).

5.2 Adequacy of Information

PCH's contribution agreements with its recipients under the ALI generally required:

- interim activity and financial report(s);
- a final activity report; and
- consolidated audited financial statements for the organization within six months of the end of the fiscal year.

As already noted in Section 5.1.2, no guidance was provided on how the financial and activity reports were to be structured. As a result, recipient organizations developed their own methods of reporting on ALI activities and APD did not receive adequate information from all recipients.

The consolidated financial statements provided also had limited usefulness as a final financial report for the contribution. While they provide detailed financial information about an organization at a macro level, consolidated audited financial statements are generally insufficient to provide assurance that funds were spent for the intended



purposes. For example, the audit team determined that \$456,175 in expenses were included as accounts payable in the AFN's financial statements. We were unable to find any documentation that substantiated that the expenses had actually been incurred as of the end of the reporting period.

To be useful for the purposes of monitoring the eligibility of claimed costs, the audited financial statements need to include a separate schedule that reports only the costs considered eligible for reimbursement as set out by the contribution agreement. The reporting period for the audited financial statements would also need to reflect the reporting period set out in the contribution agreement. This was the case for all of the audited financial statements reviewed in our sample.

The timeliness and quality of the reporting received by PCH varied greatly across recipients. Interim reporting was rarely provided as stipulated in the contribution agreement. Of the thirteen files reviewed that required interim reporting, there were only five cases where this reporting was provided. Final reports were often received well into the next fiscal year, if at all (final activity reports for 2001-2002 for two organizations were not found).

The AFN in particular had difficulty meeting the requirement to report by the end of May each year. As a third-party delivery agent, it had to obtain information in turn from its regional delivery agents. Based on the sample reviewed, most submitted their final activity reports to the AFN in the fall, more than six months after the end of the fiscal year.

5.2.1 Recommendation

It is recommended that the Director, Aboriginal Programs Directorate develop financial reporting templates for use by recipients of funding under the ALI.

5.2.1 Management Response

Recommendation accepted

The ALI will sunset at the implementation of the ALCC.

The APD will continue to work with the departmental Centre of Expertise for Grants and Contributions and delivery partners to develop financial reporting templates for use by recipients of funding pending renewal (second quarter of 2005-06 fiscal year).



5.3 Risk Management Strategies

No formal process has been utilized by the APD to identify key risks for the ALI. At the time the program was developed and implemented there was no requirement to prepare a Risk-based Audit Framework that would have set out key program risks and potential mitigation strategies.

Several program risks were identified by APD and AFN staff in the course of our interviews that were not addressed during the period covered by this audit and impacted on the successful delivery of the program. These included:

- **capacity of the delivery agents and recipients.** Several community groups and intermediary delivery agencies lacked the technical and/or administrative capacity to fully carry out their responsibilities under the program but limited action was taken to address the issue. For example, notes were found on a 2001-2002 file indicating that discussions had taken place with respect to a regional delivery agency that was deemed to have been performing poorly for several years. The meeting notes indicate that various strategies were discussed for remedying the situation including ceasing to use the organization. There was no evidence on file that any action was actually taken by the AFN and in our opinion, the organization continued to perform poorly in 2002-2003.
- **known changes in the capacity of a delivery agent.** One of the key delivery agencies used to deliver the ALI was forced to downsize significantly during 2001-2002 due to reductions in its funding from other sources. It resulted in layoffs for staff members who had been involved with the delivery of ALI. A consultant was used to prepare necessary reports for PCH. We found numerous errors in these reports. When the organization's proposal for 2002-2003 was reviewed by PCH, the Department continued to rate it as being financially stable notwithstanding the known reduction in available funding for its other activities and staff reduction.
- **performance track record.** The program design has allocated a certain level of funding to various groups. As long as project proposals are submitted from the ITK, the MNC and its affiliates, funding is provided. Information on the organization's track record in delivering projects in previous years with other Branches within PCH or with other departments is not taken into account.



As already noted, the AFN as a third-party delivery agent is well aware that some of its regional delivery agencies are better than others in meeting the requirements of the program. There is no evidence, however, of any action taken to correct the situation. Rather the same amount of money is provided to each recipient each year.

- **risks associated with third party delivery.** A significant portion of the ALI is delivered through third party delivery agents—the AFN and its regional delivery organizations. PCH wrote its contribution agreements with the AFN in such a way that it had very few tools available to it to ensure that adequate and timely reporting was submitted short of withholding funding, which it did. This, however, resulted in funding for the next year going out very late, making it difficult for recipients to complete their planned projects. Implementation of the recommendations in the *Aboriginal Languages Initiative Evaluation Report* with respect to standardized, easy to use reporting systems for projects, and on-line data recording and collection systems, should assist in providing APD with the information it requires to help mitigate this risk.
- **adequacy of ADP resources to manage the program.** The approved funding for the program identified \$80,000 a year or 1.6% of the annual budget for program administration by ADP. This amount of funding is sufficient to cover the salary costs of at most, one program officer. This is a very small amount to manage any program, let alone one with known significant risks. It is not surprising, given this level of funding that many key elements of strong management control framework were not implemented.

As already noted in Section 1.0, the ALI is scheduled to sunset by April 1, 2005. An Aboriginal Languages and Cultures Centre will be implemented the same year. This centre's programming will include new approaches to community-based language and cultural initiatives. Any future program will need to meet the requirements of the 2000 *Policy on Transfer Payments*. A RBAF will need to be developed that will include a risk-based plan for the conduct of recipient audits.

5.3.1 Recommendation

It is recommended that the Director, Aboriginal Programs Directorate ensure that the management control framework for any future programming explicitly address the known risks and control weaknesses of the ALI.

5.3.1 Management Response



Recommendation accepted

As a result of the sunseting of the ALI, the APD will accept to contribute to the development of the ALCC Risk-Based Accountability Framework (RBAF) to better address risks and improve controls of future programs (for implementation of ALCC).

5.3.2 Recommendation

It is recommended that the Director, Aboriginal Programs Directorate determine the funding necessary for APD to administer any future programming based on an explicit consideration of the known program risks and the required level of effort to manage any contribution program.

5.3.2 Management Response

Recommendation accepted in principle

The APD will, depending on the approved structure of the ALCC, consider the amount of financial resources necessary to effectively and efficiently deliver the ALCC, by considering the known program risks and the required level of effort to manage any contribution program (for implementation of ALCC).

5.4 Program Design and Implementation

The design and implementation of the ALI has generally addressed the immediate objectives of the program. As reported in the *Aboriginal Languages Initiative Evaluation*, “in general, the desired outcomes of increased numbers of projects and increased numbers of communities involved have been achieved, although it is difficult to quantify these numbers since there is no baseline data. Language strategies have been developed for each language group, although there remains a need to develop a broader national strategy and framework for language revitalization.” The report further notes that in the absence of quality criteria, it is difficult to assess the extent to which the quality of Aboriginal language projects in Aboriginal communities has increased.

There was nothing in the ALI design that explicitly addressed the objective of focusing on early language learning. Each community chose its own priorities and initiatives and



thus decided the extent to which it would focus on early language learning. Since no consistent process was implemented to evaluate and rank proposals against the program objectives, there was no mechanism in place to increase the likelihood that a significant number of projects would focus on early language learning. There was also no mechanism put in place to capture performance data that would have indicated the number and value of projects that focused on early language learning.

5.4.1 Recommendation

It is recommended that the Director, Aboriginal Programs Directorate ensure that any evaluation grid that is developed to rank and evaluate projects reward those proposals that focus on early language learning.

5.4.1 Management Response

Recommendation accepted

The APD will continue to work with delivery partners to ensure their use of a clear, transparent and clear framework in the selection of ultimate recipients for funding for projects that meet the objectives set for the programs stated in the program guidelines (completed).

5.4.2 Recommendation

It is recommended that the Director, Aboriginal Programs Directorate ensure that the reporting requirements for recipients under the ALI include a requirement to provide information that demonstrates the results achieved with respect to early language learning.



5.4.2 Management Response

Recommendation accepted

The ALI will sunset at the implementation of the ALCC.

The APD worked with the departmental Centre of Expertise for Grants and Contributions to develop, for the use of second parties, a contribution agreement template that clarifies the reporting requirements for recipients, as per the objectives set for the programs stated in the program guidelines (completed).



Annex A: Specific Audit Criteria

The following are specific audit criteria for each audit objective:

A. Management Control Frameworks

- whether the program complies with appropriate acts, regulations, terms and conditions, policies and appropriate agreements;
- whether the management control framework identifies the intended results, ensures that the results achieved are monitored and assessed on a regular basis, and supports sound management practices; and
- the decisions concerning the approval of recipients and of projects respect the concepts of due diligence, namely a sound justification, a reasonable analysis and accountability;

B. Information for decision-making and reporting

- the program reporting framework addresses the program's stated objective;
- management reports and information contained in the recipient files are provided in a way that is conducive to their use in the program accountability and decision making-process; and
- the program control framework addresses the management information requirements and expected attributes (verifiable, relevant, complete, etc.)

C. Risk management strategies and practices

- the program's key risks are expressed and assessed in specific results-oriented terms related to client needs and program objectives and, are measured and evaluated on a regular basis; and
- appropriate strategic and operational plans are developed, applied, reviewed, and updated with suitable frequency.

D. Program design and implementation

- the program key activities and funding mechanism are delivered, measured and reported in a way that is conducive to the departmental objective.