



Canadian  
Heritage

Patrimoine  
canadien

*AUDIT OF SINGLE RECIPIENT CONTRIBUTION  
PROGRAMS*

*SUMMARY OF FINDINGS*

*RADIO CANADA INTERNATIONAL (RCI)*

**FINAL REPORT**

FEBRUARY 26, 2003

Department of Canadian Heritage  
Corporate Review Branch  
Assurance Services

Canada<sup>®</sup>



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## 1.0 INTRODUCTION

As a result of a department-wide risk assessment, the 2002/03 audit plan of the Assurance Services Directorate, Corporate Review Branch (CRB) of the Department of Canadian Heritage (PCH) identified a requirement to conduct an audit of the six single recipient contribution programs in the Department.

Over the years and for a variety of reasons, Canadian Heritage (PCH) has established a number of contribution programs, each of which has only one recipient. Six such programs were examined in the course of this audit. These were:

- Canadian Conference of the Arts (CCA) administered by the Arts Financing and Legislation Directorate of the Cultural Affairs Sector;
- Canadian Museum Association (CMA) administered by the Cultural Property Directorate of the Citizenship and Heritage Sector;
- Centre for Research and Information on Canada (CRIC) which is part of the Council for Canadian Unity, administered by the Canadian Identity Directorate within the Public Affairs and Communications Sector;
- Confederation Centre of the Arts operated by the Fathers of Confederation Building Trust which is administered by Atlantic Region with support from the Arts Financing and Legislation Directorate of the Cultural Affairs Sector;
- Radio Canada International (RCI) administered by Broadcasting Programming Services Directorate of the Cultural Affairs Sector; and
- TV5 which is broadcast in Canada by the Consortium de télévision Québec Canada (CTQC). This agreement is administered by the International Affairs Directorate of the International and Intergovernmental Affairs Sector.

This report represents the summary findings of the audit with respect to RCI. The audit was conducted in August and September 2002.



## 2.0 OBJECTIVE

The overall objective of this project was to audit six beneficiaries of single recipient contribution programs in order to provide Departmental senior management with:

- information on the criteria used for selection and determination of six single recipient programs and their compliance with the intent of the transfer payment programs;
- information that can be used to improve the management of the programs and enhance the department's success in meeting its objectives;
- assurance that information for decision-making is reliable;
- assurance that management controls and risk management frameworks of the programs and the recipients are effective;
- assurance that outcomes and results for the programs and for the recipients have been identified and are measurable and that these outcomes and results are in support of government objectives; and
- advice on where joint audits with other government departments might be advisable.

Areas that were addressed included:

- the extent to which the **program design and implementation** reflected the intent of the *TB Policy on Transfer Payments* and the objectives of PCH
- the strengths of the **program processes** and provide advice for improvement; and
- the **recipient's control and governance framework** and provide advice for improvement.

## 3.0 SCOPE

Over the years and for a variety of reasons, Canadian Heritage (PCH) has established a number of contribution programs, each of which has only one recipient. One of them is with the Canadian Broadcasting Corporation (CBC) for the international broadcasting carried out by Radio Canada International (RCI). This report specifically addresses the audit findings related to RCI.

The audit considered how the contribution agreement that was in place for 2000-2001 and 2001-2002 fiscal years, was managed. The agreement is administered by the Broadcasting Programming Services Directorate of the Cultural Affairs Sector of



Canadian Heritage.

#### 4.0 APPROACH AND METHODOLOGY

The criteria against which observations, assessments, and conclusions were drawn in this audit were based on:

- the requirements of the October 1996 and June 2000 Treasury Board Secretariat *Policy on Transfer Payments*<sup>1</sup>.
- the approved terms and conditions for the contribution;
- the contribution agreement between Canadian Heritage and the recipient; and
- attributes of a well managed contribution program as defined in the Auditor General of Canada's 1998 Report, Chapter 27, *Grants and Contributions*. The attributes are:
  - selection of the appropriate funding mechanism;
  - program management at all levels can explain how recipients are expected to benefit from funding;
  - program officers understand who is eligible for funding, under what conditions, for what purposes, and in what amounts;
  - potential applicants are aware of the program;
  - projects makes sense for the applicant to carry out and for the program to fund;
  - more deserving projects are funded at an appropriate level;
  - funding is used for the purposes agreed;
  - problems with project and program performance are resolved quickly;
  - management reporting demonstrates a good knowledge of program performance; and
  - money owed to the government is collected.

The audit fieldwork was carried out between July and September 2002. Specific audit activities included:

- review of the documentation that authorized the establishment of the contribution

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<sup>1</sup>The revised policy was effective June 1, 2000. It 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 31, 2005, at which point Departments must obtain Treasury Board approval to replace or renew such terms and conditions. An Information Notice issued by TBS June 1, 2000 indicated that only transfer payment agreements signed after August 31, 2000 had to reflect the changes in the policy.



- agreement between PCH and CBC;
- review of the contribution agreement between PCH and CBC for the period April 1, 1998 to March 31, 2001 and the extension to the agreement for the period April 1, 2001 to March 31, 2002;
- review of internal approval documents and briefing notes associated with the contribution agreement;
- review of financial reports and activity reports submitted to PCH by CBC during the 2000-2001 and 2001-2002 fiscal years;
- review of *Grants and Contributions Approval and Payment Form* and supporting documentation for payments made to CBC during the 2000-2001 and 2001-2002 fiscal years;
- review of draft Results-based Management and Accountability Framework (RMAF) and Risk-based Audit Frameworks (RBAF) for the contribution agreement that had been prepared in 2001 and 2002;
- review of a draft report of formative evaluation of the contribution that was undertaken at the request of program management and the feedback that was received on the report; and
- discussions with program management responsible for administering the contribution agreement.

The audit was carried out according to the requirements of the April 2001 Treasury Board Secretariat *Policy on Internal Audit*.

## 5.0 CONCLUSIONS

We offer the opinion that:

- while all differences between the signed contribution agreement and the requirements of the 1996 *Policy on Transfer Payments* were approved by the Treasury Board, more appropriate means than a contribution program probably exist to provide CBC with the operating funds it requires to fulfill its international broadcasting mandate;
- a number of opportunities exist for improving the management of the program. The implementation of the opportunities identified in this audit will also serve to bring future agreements into better conformity with the requirements of the 2000 *Policy on Transfer payments* and are consistent with the ongoing efforts of the government to manage for results;
- opportunities exist for enhancing the management controls and risk management framework within PCH for this contribution agreement; and
- opportunities exist for a joint audit of the contribution agreement with CBC.



We are unable to provide assurance to PCH that:

- information for decision-making is reliable; or
- CBC's management controls and risk management frameworks are effective.

## **6.0 OBSERVATIONS AND RECOMMENDATIONS**

### **6.1 Use of a Single Recipient Contribution Program**

The very existence of Radio Canada International was in considerable doubt for a period in the mid 1990s. Due to budgetary pressures, CBC announced that it would cease operating RCI as of March 31, 1996. Due to an enormous outpouring of support within Canada and around the world, the government decided to provide funding in its March 1996 budget specifically for the operations of RCI for an additional year. Subsequently, ongoing funding was found within the existing fiscal framework for RCI.

Based on extensive discussions amongst officials from Treasury Board Secretariat, Canadian Heritage and Foreign Affairs and International Trade, it was determined by the summer of 1997 that the most appropriate mechanism within the fiscal framework that existed at that time to effect the transfer of funds for RCI's ongoing operations was to utilize a contribution agreement. It was noted that funds had been identified within the three-year fiscal framework, which was the planning horizon utilized at that time, for the contribution.

Both the 1996 and the 2000 *Policy on Transfer Payments* indicated that when a department was considering a grant, contribution or other transfer payment to certain Crown Corporations, there must be prior consultation with the Treasury Board Secretariat Analyst to determine whether specific Treasury Board approval was required. Based on the clarification provided in a March 2001 memo from the Assistant Secretary, Treasury Board Secretariat to Senior Financial Officers and Senior Full-time Financial Officers, the CBC is one of the Crown Corporations to which this caveat applies. This consultation did occur as required in 1997.

The 1996 policy did note that "care must be taken to ensure that a grant, contribution or other transfer payment is not, and does not become, a substitute for financing a corporation's operating or capital requirements". The 2000 *Policy on Transfer Payments* has a similar caution. The wording has been modified slightly to indicate specifically that the transfer payment is not to "become a substitute for financing a



Crown corporation's ongoing operating or capital requirements".

It is clear from the financial reports and narrative reports provided by CBC to PCH on RCI's operations, that the funds from the contribution agreement have become a substitute for the direct financing of RCI's ongoing operating or capital requirements through CBC's annual appropriation from Parliament. Since the contribution agreement has been put in place, almost all of the funding necessary for RCI's operations has come from PCH. A very small amount has come from the sale of programming produced by RCI.

CBC is required under the *Broadcasting Act* to provide an International Service by means of shortwave broadcasting supplemented by relays, transcriptions and sound and visual recordings, providing thereby a continuing expression abroad of Canadian identity. The *Act* also sets out the arms-length relationship between the CBC and the government and makes it clear that the CBC retains sole decision-making responsibility with respect to programming content, journalistic and editorial policies. As a result of the framework within which CBC operates, PCH program management has found it more challenging to establish the type of accountability framework envisaged by the 2000 Policy on Transfer Payments than with other organizations such as not-for-profit organizations that are often the recipients of contribution payments. In many respects, a grant would appear to be a more appropriate form of transfer payment than a contribution if funding is going to continue to be provided to CBC for RCI's operations directly by PCH rather than as part of CBC's annual appropriation. It is understood that there have been ongoing discussions between CBC and PCH concerning RCI's future funding needs and a final decision has yet to be made on whether there will be continued funding and, if so, the mechanism that will be used to provide CBC with the necessary funds.

In determining how RCI's future funding needs will be met, PCH program management must also take into account the inherent conflict between CBC's arm's length relationship with the government as set out in the *Broadcasting Act*, and the accountability requirements of the *Policy on Transfer Payments*. It is quite possible that a contribution agreement may no longer be the most appropriate mechanism for transferring funds to CBC for RCI's operations. This can only be determined through consultation with Treasury Board Secretariat officials and PCH Legal Services.

## Recommendation

### 6.1.1 It is recommended that the Director General, Broadcasting Policy:

- **consult with both Treasury Board Secretariat and PCH Legal Services to**





- determine if a contribution agreement continues to be the most appropriate mechanism to provide funding to CBC for international operations; and obtain specific Treasury Board approval for any transfer payment that is financing CBC's ongoing operating or capital requirements for international broadcasting.



## Management Response

**6.1.1 Agreed.** As noted in the Audit, a Contribution Agreement was established after extensive discussions with officials from Treasury Board Secretariat, Canadian Heritage and Foreign Affairs and International Trade. In 1997 it was determined that the most appropriate mechanism that existed at that time was a contribution agreement.

Over the years, the Broadcasting Policy and Innovation Branch has found it difficult to establish fully the type of accountability and reporting mechanisms reflected in the Policy on Transfer Payments. Principally this was due to what the audit has identified as “the inherent conflict between CBC’s arm’s length relationship with the government as set out in the *Broadcasting Act*, and the accountability requirements of the *Policy on Transfer Payments*”. Indeed, the 1991 Broadcasting Act strengthened the CBC’s journalistic, programming and creative freedom. Additionally, there was a fiscal concern. As noted in the Audit, rather than contributing to the overall operating and capital requirements, the Agreement had become the sole mechanism to finance the Corporation’s commitment to RCI.

The challenges posed by the contribution agreement has led the Branch to explore options for a more appropriate funding mechanism than a contribution agreement to provide the CBC with the funds it requires. With the authorization of Minister of Canadian Heritage, we have consulted with the CBC, departmental officials, as well as officials at the Department of Foreign Affairs and International Trade (DFAIT), and the Treasury Board Secretariat to establish a new funding mechanism that will:

- protect the corporation’s journalistic and operating independence,
- establish clear lines of accountability for RCI that are consistent with the norms for the Corporation as a whole, including reporting on results for the service,
- allow the CBC the flexibility to manage RCI within its overall budget, and
- allow the CBC to request capital funding and any other increases, such as salary inflation.



## 6.2 Opportunities for Improving the Management of the Program

In putting the contribution agreement in place in the winter of 1999 with the CBC, PCH was required to comply with the requirements of the 1996 *Policy on Transfer Payments*. Where there was a deviation from the policy, Treasury Board approval was required. For the most part, the agreement was consistent with the *Policy* framework. Several inconsistencies between the 1996 *Policy* and the contribution agreement signed with CBC were noted. These include:

- **an explicit “right to audit” clause** in the agreement. The *Policy* indicates that “contribution agreements are subject to audit to satisfy the donor department that all conditions, both financial and non-financial, have been met.” The agreement only requires that “CBC shall keep in its offices proper books, accounts and records of costs and expenses incurred by CBC on behalf of RCI, in respect of equipment, personnel and services provided by RCI under this Agreement.” CBC is required to keep this information for two years following the termination of the agreement. Without the “right to audit” clause, PCH could be limited in its ability to verify that all conditions associated with the agreement have been met and that the funds provided have in fact been spent for the intended purpose.
- an **identification of the consequences on non-adherence to the financial and/or non-financial conditions** attached to the agreement. The 2000 *Policy*, for example, requires that the contribution agreement outline the procedures to be followed to recover payments should the recipient be in default of the provisions of the contribution agreement.
- the **requirement that recipients repay overpayments, unexpended balances and disallowed expenses**. The issue of overpayments is not mentioned in the contribution agreement. RCI reported that a surplus did exist in both operating and capital at the end of the 2000-2001 fiscal year but no steps were taken to recover it. During 2001-2002 authorization was given to RCI to expend the funds carried over from the previous year in part because the contribution agreement made no reference to how surplus funds at the end of any fiscal year were to be handled.

The key differences between the *Policy* and the agreement was the payment stream. The *Policy* recommends that payment be based on demonstrated cash flow requirements. The payment stream that is utilized has 90% of the payment made on or about April 1<sup>st</sup> and the balance in the fall after the required reports for the previous year



are provided. This payment stream was specifically identified, however, in the original approvals for the contribution.

While the 2000 *Policy on Transfer Payments* did not apply to the agreement under audit, it will be applicable in future and thus should be taken into account by program managers as they negotiate any new agreement with CBC. Areas in addition to those identified with the 1996 *Policy* where strengthening is required or specific approval must be sought to not apply the 2000 *Policy* include:

- **amount of the annual transfer payment.** The 2000 *Policy* indicates that “transfer payment assistance is provided for projects only at the minimum level to further the attainment of the stated transfer payment program objectives and expected results”. There was no information found on the file that indicated that there had been any analysis to determine the minimum amount required to achieve the stated objectives. CBC’s periodic reports indicated that more programming was being provided than the target set out in the contribution agreement. The 2000 *Policy* further notes under the discussion of the stacking of assistance, that there is an “expectation that the recipient must contribute its own funds towards the eligible cost of the project”. There was no evidence that CBC was providing any of its own funds towards the eligible costs. The correspondence on file suggested that the CBC expected all the funds necessary for RCI to come from PCH through this contribution agreement. As already noted, the approval in 1997 indicated that the contribution was to be in support of the provision of an international service. There was no indication that it would provide 99% or more of the required funding. If a contribution agreement continues to be utilized in the future, there should be a better alignment between the objectives as set out in the agreement and the funding provided. Further, if it is PCH’s intent to provide essentially all of the funding required to maintain CBC’s international operations, this should be identified in the approval documents.
- **deducting the amount of the interest cost incurred** by the government by providing funds in advance of when they are required. The 2000 *Policy* indicates that where an exception to the cash management policy is made as is the case with the contribution to CBC, “departments must, in arriving at the amount of 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 the Treasury Board”. If funds, therefore, are to be continued to be provided to the CBC in advance of need in any future agreement, either the amount of the interest cost incurred must be deducted or specific authority must be sought to not apply this provision of the *Policy*.



- **stacking of assistance.** The 2000 *Policy* requires that recipients identify other sources of proposed funding for a project. Specific limits to the Total Government Assistance, (e.g., 50% of eligible project costs), must also be considered by departments in developing and proposing Terms and Conditions for contribution programs. Over the life of the current contribution agreement, there was no stacking as PCH was the only funding source. Nonetheless, it is good practice to include a requirement with respect to the stacking of assistance in any contribution agreement so that all requirements are clear and have been explicitly stated.
- **clearer definition of the eligible costs.** The 2000 *Policy* requires that the allowable costs or the types of classes of expenditures eligible for reimbursement be set out in the contribution agreement. The agreement in place for 2000-2001 and 2001-2002 indicated what funds could be used for but it was not limited to the category of costs set out. As a result, the CBC could quite reasonably argue that any cost that could be reasonably assigned to RCI operations including general CBC overhead expenses were eligible.
- **provisions for cancellation or reduction of transfer payments if funding levels are changed by Parliament.** The agreements in place for 2000-2001 and 2001-2002 required that “there be appropriations by the Parliament of Canada in the fiscal years in which the payments are to be made”. While the government did approve three years of funding for the period April 1, 1998 to March 31, 2001, fiscal frameworks can change and good practice is to make it clear that payment is contingent on the appropriation being available.
- **disposition of any assets acquired through the contribution.** Five million dollars a year in capital funds were provided up to the end of the 2000-2001 fiscal year. The contribution agreement in place at the time does not address the disposition of any assets acquired with these funds.

The management of the contribution agreement with CBC was also compared with the attributes of a well-managed contribution program as defined by the Office of the Auditor General. Several of the attributes were difficult to apply or not applicable because this is a single recipient program that has been specifically tailored to meet the needs of CBC. Further, as already noted above, the provisions of the *Broadcasting Act* make it more challenging for PCH to apply fully the requirements of the *Policy on Transfer Payments*.

The examination of the management of the program against the OAG’s criteria did



result in the identification of several opportunities for improvement in addition to those already identified in the discussion above with respect to the requirements of the *Policy on Transfer Payments*. They are as follows:

- ***how the funds are used.*** The contribution agreement sets out generally how the funds provided are to be used but does not limit it. Eligible costs include salaries, wages, services and office expenses of administrators, producers, researchers, reporters, translators, technicians and other staff employed by the CBC for work done exclusively for RCI. Further, books, rental costs, travel, supplies, printing, telephone costs and similar expenses incurred by the CBC in relation solely to the work of RCI are eligible. Funding was also provided during the 2000-2001 fiscal year specifically for capital costs.

The information provided by CBC is insufficient to determine if the funds were only spent on eligible expenses. Summarized cost information is provided that shows that programming and distribution costs have been reduced over the period 1999-2000 and to 2001-2002 which is consistent with the reduced programming hours and the increased reliance on English and French language programming already produced by CBC and Radio Canada for domestic use. Over the same period there has been an increase in administration costs of almost 300% due to increases in the allocated costs for services provided by CBC and costs associated with the departure of employees (i.e. retirement payments including sick leave).

The audit was to have included an examination of CBC's records supporting the claimed expenditures. CBC management did not respond favourably to the request for access to the records and PCH management, in the absence of a right to audit clause in the agreement, chose not to pursue the matter.

- ***prompt resolution of project and program performance problems.*** As part of its analysis of the financial and non-financial information provided by RCI, the Grants & Contributions Directorate within PCH's Corporate Finance identified several questions in both 2000-2001 and 2001-2002 with respect to the causes for the accumulated surplus and rising administrative costs. There was no evidence in Broadcasting Policy's program files that any followup had been taken as a result of the questions for 2000-2001. There was evidence on the file that RCI had been queried in July 2002 on the questions raised by Corporate Finance for the 2001-2002 fiscal year. At the time the audit field work was conducted, no response had been received from CBC.
- ***money owed to the government is collected.*** As already noted, RCI reported



a surplus of \$770K on its operations and a surplus of \$212K on capital expenditures at the end of the original three-year contribution agreement (March 31, 2001). Despite advice from Corporate Finance in December 2000 that the projected surplus for the year should be deducted from the remaining payment, approval for the full amount of the remaining contribution for the year was made by the Director General Broadcasting Policy. Permission was subsequently granted by PCH for RCI to utilize these funds during the 2001-2002 fiscal year and no effort was made to collect the money.

## Recommendation

### 6.2.1 It is recommended that the Director General, Broadcasting Policy:

- put in place a process to ensure that the requirements of the *Policy on Transfer Payments* are followed and reflected in any contribution agreement with the CBC and that where exceptions are required, that the necessary approvals are obtained; and
- have any future transfer payment agreement with CBC explicitly address the expenditures which cannot be directly attributed in whole to RCI's operations and determine which should be deemed eligible for reimbursement and to what extent (e.g., 10% of direct costs).

## Management Response

6.2.1 Agreed. With the authorization of the Minister, the Broadcasting Policy and Innovation Branch is exploring options for a more appropriate funding mechanism than a contribution agreement to provide the CBC with the funds it requires.

## 6.3 Reliability of the Information Used for Decision Making

***Canadian Heritage is provided with limited information about RCI's activities.*** The contribution agreement requires that a detailed statement of all sources of revenue and items of expenditure incurred by RCI be provided and broken down into four categories: programming and production; distribution, administrative costs, capital costs. An activity report also had to be provided that addressed RCI's provision of the services as set out in the agreement. This information has to be provided twice a year—within so many months of the end of the fiscal year for the final annual report and the interim report, prior to payment being made for the second and last installment of the contribution.





The activity report was a monthly summary of the various activities carried out by RCI. It was not aligned with the specific objectives as outlined in the contribution agreement. The information provided focussed on activities rather than results achieved. The 2000 *Policy on Transfer Payments* places a much greater emphasis on the achievement of results which requires that a results-based management and accountability framework be prepared to provide for appropriate measuring and reporting of results. A draft RMAF was prepared and transmitted to CBC by PCH in April 2002. Such a framework has yet to be agreed upon or implemented and the final form will be dependent on the funding arrangement in place for RCI.

The audit team was unable to examine CBC's books and records that support the information that was provided to Canadian Heritage. Without this access, it is unable to provide assurance that the information available for decision making was reliable. As already noted, if the agreement had included a "right to audit" clause, a better mechanism would have been in place to facilitate providing assurance on the reliability of the information for decision making.

#### **6.4 Effectiveness of Management Controls and the Risk Management Framework**

A February 2002 draft Risk-based Audit Framework (RBAF) identified as a key risk, program management deficiencies in managing the funding, lack of due diligence, and the inability to link non-achievement of objectives to management deficiencies. Identified mitigating controls included:

- regular (quarterly) reports on:
  - cash flow and detailed explanations of variances
  - plans for spending in upcoming quarter;
  - emerging issues that affect costs and revenues;
- regular internal audits by CBC;
- external audits.

There was no evidence that any of these controls were in place.

Program management has had the Grants & Contributions Directorate of Corporate Finance review the reports received from CBC to ensure that they meet the reporting requirements of the contribution agreement prior to the final payment for the year being made. As already noted, the reports provided were insufficient to provide PCH with the necessary information to determine if all the funds were spent for the intended purpose. The current contribution agreement, however, limits PCH's ability to request additional





information from CBC.

The audit team was unable to access CBC's books and records that support the information provided to PCH. As a result, it is unable to provide any comment on the effectiveness of CBC's management controls and risk management frameworks for this contribution agreement. As already noted, if the agreement had included a "right to audit" clause, a better mechanism would have been in place to facilitate providing assurance on the effectiveness of the recipients management controls and risk management frameworks.



## Recommendation

**6.4.1 It is recommended that the Director General, Broadcasting Policy ensure that any future transfer payment agreements with CBC for RCI's operations include sufficient provisions for reporting that will facilitate PCH's efforts to exercise due diligence over the agreement.**

## Management Response

**6.4.1 Agreed. With the authorization of the Minister, the Broadcasting Policy and Innovation Branch is exploring options for a more appropriate funding mechanism than a contribution agreement to provide the CBC with the funds it requires.**

## 6.5 Program Outcomes and Results

The contribution agreement sets out the objectives of this arrangement. They are:

- RCI shall, as determined through regular consultation with the Minister of Foreign Affairs,
  - broadcast to geographic target areas of Africa, Asia, Caribbean, Europe, Latin America, Middle East and north America for a minimum of one hundred and fifty (150) hours per week;
  - prepare and broadcast programs in a minimum of five (5) foreign languages. Those currently agreed to by the parties are Russian, Ukrainian, Chinese, Arabic and Spanish;
- the frequencies negotiated on a continuing basis shall be fully utilized and properly maintained to provide adequate coverage to the geographic target areas.
- the remaining broadcasting hours per week shall be made up of English and French programming from domestic radio, newscasts produced by RCI for geographical target areas, or any other applicable English or French material drawn from a spectrum of broadcast materials such as news, current affairs, features and/or interviews;
- RCI shall maintain five (5) regional bureaus in Canada.

While these objectives are readily measured, they are not consistent with the results based focus that the government has been moving towards since the mid to late 1990s.



They focus on activities to be carried out rather than results to be achieved and are therefore, inadequate to provide program management with any information on how well CBC and RCI are developing and promoting international awareness of Canada and the Canadian identity and what difference their programming makes. A recent draft formative evaluation report of the agreement undertaken on behalf of PCH, also noted that factors that limited the evaluation were a “lack of clearly defined expected results for RCI and systematically collected performance information”.

In the absence of a specific requirement in the contribution agreement to provide results based information, it is not surprising that it has not been provided. Proper measures are difficult and time consuming to develop and generally require an ongoing effort to collect the necessary data. One of the requirements of the 2000 *Policy on Transfer Payments* is that the written agreement between a department and a recipient set out the expected results to be achieved.

## Recommendation

**6.5.1 It is recommended that the Director General, Broadcasting Policy ensure that any future contribution agreement with the CBC for RCI’s operations set out clearly defined expected results and the types of performance information that will be systematically collected to demonstrate the attainment of the results.**

## Management Response

**6.5.1 Agreed. With the authorization of the Minister, the Broadcasting Policy and Innovation Branch is exploring options for a more appropriate funding mechanism than a contribution agreement to provide the CBC with the funds it requires.**

## 6.6 Advisability of Joint Audits with Other Government Departments

All of the funds being utilized by CBC for RCI’s operations during the period covered by this audit were provided by Canadian Heritage. There was no funding from other government departments. As a result, while the Department of Foreign Affairs and International Trade, as set out in the contribution agreement has a responsibility for identifying the broadcasting target areas and languages, no departments other than PCH have an obligation under the *Policy on Transfer Payments* to conduct an audit of



the recipient when deemed necessary.

CBC is a large organization and has its own internal audit group. Within the federal government, when one department provides services to another (e.g. Canada Customs and Revenue to Human Resources Development Canada for the administration of the Canada Pension Plan and Employment Insurance), the internal audit group of the organization providing the services has arranged for the audit of compliance to the agreement and shared the report with the funding department. A steering committee for the audit may include representation from both departments. This type of arrangement recognizes the ability of internal audit in the department providing the services to more easily carry out the audit in a cost effective manner as they already know the organization and its key financial systems. It also respects and explicitly takes into account the interests of both organizations in the audit.

While joint audits with other government departments may not be necessary, it may be appropriate for PCH to utilize the services of CBC's internal audit group to carry out periodic audits of CBC's activities in support of the contribution agreement.

## **Recommendation**

**6.6.1 The Director General, Broadcasting Policy should ensure that any future transfer payment agreements with CBC explicitly address how audits of CBC's supporting books and records would be conducted.**

## **Management Response**

**6.6.1 Agreed. With the authorization of Minister Copps, the Broadcasting Policy and Innovation Branch is exploring options for a more appropriate funding mechanism than a contribution agreement to provide the CBC with the funds it requires.**