

*Planning Report
for the Compliance
Audit
of the
Athlete Assistance
Program (AAP)
- Administered by
Sport Canada,
Department of
Canadian Heritage*

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Phase 1 - Report

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1 Section 1 Introduction

1.1 Purpose

This Report outlines our audit plan for a compliance audit of the Athletic Assistance Program (AAP) for the 2000-2001 fiscal year.

1.2 Background

The Athletic Assistance Program (AAP), is administered by Sport Canada, which is a branch of the Department of Canadian Heritage. The overall objective of the AAP is to enable athletes to combine their sport and academic or working careers without undue financial burden, while training intensively in pursuit of world-class performances. The main goal of the AAP is to contribute to improved performances by Canadian athletes at major sporting events such as World Championships and the Olympics.

Athletes that are, or have the potential to be, in the top sixteen in the world in their respective sport can be nominated by their National Sport Federation (NSF) to receive financial assistance in order to relieve some of the burden associated with rigorous training regimens.

Overall, the AAP has five specific objectives in addition to enabling athletes to combine their sport and academic or working careers without undue financial burden. These are:

- to identify and support Canadian athletes performing at or having the greatest potential to achieve a top sixteen level at international sporting events;
- to help Canada's international-calibre athletes excel at the highest level of competition while enabling them to prepare for a future career or engage in full- or part-time work or post-secondary education activities;
- to facilitate the attainment of athletes' long range goals of excellence in Olympic/Paralympic or world competition;
- to complement support provided through other government and NSF programs; and
- to contribute toward broad government policy objectives.

Eligible athletes receive funding in the form of tax-free living and training allowances and current or deferred tuition assistance. Carded athletes may also be eligible for special needs assistance for such items as child-care, relocation and/or retirement from their sport.

Early in the 2001 fiscal year, the budget of the AAP was increased to \$14.5 million and its format changed from a contribution to a grant program – two important changes to an important Canadian Heritage initiative. This audit is, therefore, of grants and not contributions.

2 Section 2 Objective and Scope

2.1 Objective

The objective of the audit is to determine how well the Athletic Assistance Program is being administered by Sport Canada and whether or not due diligence is being exercised in fulfilling its obligations as outlined in published regulations, directives and guidelines.

2.2 Scope

Our audit planning encompassed the AAP legislation, regulations, departmental directives and guidelines and all other literature by Sport Canada in promoting the program to potential recipients.

The audit covers the activities of the AAP during the fiscal year 2000-2001.

All work will be conducted in the National Capital Region, including a review of program documentation, interviews with AAP staff, meetings and debriefings with the Project Authority and program officials.

3 Section 3 Activities and Findings

3.1 Activities

The audit planning phase was performed in order to confirm the audit objective and scope. Areas of significance were determined based on a management assessment of the program done by:

- identifying the management activities (significant processes and programs);
- identifying potential audit issues;
- outlining audit concerns;
- identifying the focus for future audit work; and
- identifying elements in the program's management control framework.

In order to complete the management assessment of the program our audit team met with the Project Authority and reviewed the various materials provided:

- March 20, 2000 Canadian Heritage News Release entitled, "The Government of Canada Announces Additional Funding for Amateur Sport" and a backgrounder entitled "Immediate Impact of Announcement of Increased Stipends";
- A message (pamphlet) from the Secretary of State (Amateur Sport);
- Sport Canada Athlete Assistance Program Policies, Procedures, Guidelines (8.5" X 11" three ring binder) and the 3 ½ " X 8" version;
- A pamphlet entitled "Athlete Assistance Program Tuition & Deferred Tuition Policies";
- Athlete Assistance Program Application and Declaration to Accept/Decline AAP Financial Support;
- Athlete Assistance Program Deferred Tuition Program Application Procedures;
- Athlete Assistance Program Tuition Voucher;
- Procedures for the Issuance of Cheques to Approved Athletes after the AAP Annual Review;
- AAP Application Form Data Entry procedures;

- Procedures for Paying Tuition;
- AAP Cheque Run Procedures;
- Procedures for Tracing Cheques; and
- Background information from the recently completed AAP framework.

After this review we met with the AAP manager and co-ordinator.

We conducted system walkthroughs with the AAP co-ordinator including several athlete files and the AAP management information system.

We subsequently met again with the AAP manager to round out our understanding of the program and to gather additional documents, including:

- 1992 and 1997 Report on Status of High Performance Athletes in Canada;
- 1997 eligibility criteria;
- February 2001 work plan;
- 1998/99 Operational plan; and
- 1999/2000 Results and accomplishments

We also interviewed by phone, the manager of Policy Planning in Sport Canada and the Manager of Sport Programs.

3.2 Findings

As a result of the audit planning activities, the audit team has determined the following:

- The grant process as described appears to have the required financial and program controls.
- Signing authority (with respect to sections 33 and 34 of the Financial Administration Act (FAA)) appears to be appropriate.
- Supporting documentation appears to be available and audit trails sufficient to examine transactions in detail.
- There does not appear to any formalized risk management framework.
- Reporting to Senior Management is generally done on an “ad-hoc” basis.
- Use of performance measures is limited.
- Capacity to deliver the program may be stretched and there may be an inordinate amount of operational knowledge residing with the manager of AAP. This could potentially lead to interruptions of service in the event of the manager’s absence.

Based on the above findings and our identification of management activities, we have, in the following table, presented our audit matrix. This matrix identifies the management activities, levels of risk, our audit objectives and potential audit issues, concerns and the audit focus. We have also outlined the management control framework (audit criteria) upon which we will be basing our audit and comparing the AAP to best management practices.

The matrix is organized into the three essential elements of financial management (as outlined in “ A Framework for Identifying Risk in Grant and Contribution Programs” by the Office of the Auditor General, November 2000).

Risk Management and Control

It is essential that an organization identify the risks it faces and establish a framework designed to manage and control those risks. An essential part of risk management and control is an environment that communicates the purpose, values and ethics of the organization.

Information

It is essential that an organization establish procedures to manage and protect the integrity of its data and to produce the type of information needed by managers to conduct their business and account for their responsibilities. The organization must also present this information when needed. This element includes management of information systems and financial and non-financial performance information.

**Management of
Resources**

This component of financial management focuses on managing and directing the organization's resources effectively and efficiently to achieve corporate objectives. It includes strategic planning, analysis and support for decisions.

MANAGEMENT ACTIVITY (LINES OF INQUIRY)	RISK (H-M-L)	POTENTIAL ISSUES (AUDIT OBJECTIVES)	CONCERNS (ISSUES)	FOCUS	MANAGEMENT CONTROL FRAMEWORK (AUDIT CRITERIA)
Risk Management					
<ul style="list-style-type: none"> ▪ Has a risk management framework been established? 	M	<ul style="list-style-type: none"> ▪ Assess risk management framework ▪ Evaluate degree of formality ▪ Ensure risk identification and assessment is conducted ▪ Outline mitigating factors ▪ Ensure values and ethics are taken into account 	<ul style="list-style-type: none"> ▪ Have all risks been identified? ▪ Are identified risks being controlled? ▪ Are identified risks considered when approving funding? 	<ul style="list-style-type: none"> ▪ Efficiency of Processes ▪ Continuity of Program integrity 	<ul style="list-style-type: none"> ▪ Treasury Board guidelines on Risk Management
Information					

<ul style="list-style-type: none"> Has a results-based management and accountability framework been developed which prepares for appropriate measuring and reporting of results? Do effective financial and program controls exist and are they implemented within the AAP? Is a system of internal checks and balances maintained to ensure proper segregation between spending and payment activities? Has due diligence been exercised in the selection and approval of athletes and in the management and administration of the program itself? Has senior staff developed efficient and effective accounting procedures that ensure payment requests and account verifications are in accordance with the FAA as well as the Treasury Board Secretariat's requirements? Are proper program and accounting records and other documentation maintained in order to provide evidence of decisions and results achieved? 	M	<ul style="list-style-type: none"> Assess existing controls 	<ul style="list-style-type: none"> Are grants being made in advance of need? 	<ul style="list-style-type: none"> Payments not authorized 	<ul style="list-style-type: none"> Treasury Board Policy on Transfer Payments
	H	<ul style="list-style-type: none"> Assess the level that the AAP complies with these controls Assess the level of compliance to the AAP's stated selection criteria 	<ul style="list-style-type: none"> Is the recovery of overpayments facilitated such that collection is timely and effective? 	<ul style="list-style-type: none"> Inappropriate payments Misuse of funds 	<ul style="list-style-type: none"> Financial Administration Act
	H	<ul style="list-style-type: none"> Assess the degree to which the AAP is in compliance with FAA regulations Assess the adequacy of the accounting records and documentary evidence 	<ul style="list-style-type: none"> What happens if amendments to accountability agreements are made mid-year? 	<ul style="list-style-type: none"> Loss of funds 	<ul style="list-style-type: none"> Treasury Board guidelines on Financial Controls
	H	<ul style="list-style-type: none"> Assess the accountability relationship between NSF's athletes and the AAP Assess the adequacy of the reporting mechanisms in place Assess the present level of segregation of duties between spending and payment managers to ensure sufficient prudence and probity of transactions. 	<ul style="list-style-type: none"> Are payments made only to qualified recipients? Are accounts and payments authorized and comprehensively verified? 	<ul style="list-style-type: none"> Program does not reach all eligible athletes 	<ul style="list-style-type: none"> Treasury Board cash management Policy
	H	<ul style="list-style-type: none"> Review and evaluate the extent to which department's accounting policies, systems, procedures and practices support managers when making payments 	<ul style="list-style-type: none"> Is the program communicated to the public to ensure equal access? Are the actions of initiating versus approving funding distinct enough to ensure good stewardship? Is there information on file to support funding decisions? Do signing authorities reflect the application of hierarchical signing and approval limits for various managers? 		

MANAGEMENT ACTIVITY (LINES OF INQUIRY)	RISK (H-M-L)	POTENTIAL ISSUES (AUDIT OBJECTIVES)	CONCERNS (ISSUES)	FOCUS	MANAGEMENT CONTROL FRAMEWORK (AUDIT CRITERIA)
Management of Resources					
<ul style="list-style-type: none"> Does capacity exist to effectively deliver and administer the AAP, including monitoring, learning and training? 	M	<ul style="list-style-type: none"> Assess strategic plans Assess the adequacy of the program's performance measures Assess the monitoring and reporting activities used for the AAP 	<ul style="list-style-type: none"> Are program results being monitored against the strategic plans? Are there sufficient resources to monitor and report on the program effectively? 	<ul style="list-style-type: none"> Loss of Control Program Interruption 	<ul style="list-style-type: none"> Report of the Independent Review Plan "Modernization of Comptrollership in the Government of Canada"

			<ul style="list-style-type: none"> ▪ Is there cross-fertilization of knowledge between managers and staff 		
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Note: Risk measures indicated are value judgements of the audit team based on experience. No formal criteria were established to determine these measures.

4 Section 4 Proposed Audit Plan

4.1 Proposed Phase II Audit Plan

Our audit plan, which is presented below, is derived from the audit matrix presented in section 3.2.

4.2 Proposed Audit Tests

Test 1

File Review of living/training allowances

The planned sample of files for audit purposes will be drawn from those processed in fiscal 2000-2001. The sample will be representative of an appropriate cross section of the various types of athletes who have received funding, i.e. a balance between senior level and development level cards, winter and summer sports and between able-bodied and disabled athletes. Based on comments made by the OAG in respect of other grant and contribution audits we propose to select approximately 50 files for our audit of the living/training allowance component

These files will be examined for:

- Evidence of athlete eligibility;
- Evidence of appropriate authorization;
- Compliance with S.33 and 34 of the FAA;
- Timeliness of the grant payment;
- Athlete agreement with NSF; and
- Efficiency of the payment and recording process.

Test 2

File Review – Special Needs

Special needs is a small proportion of AAP grants. As a result we propose to select a small sample (5) of files from the population of

special needs funding to be examined for:

- Evidence of athlete eligibility;
- Evidence of appropriate authorization;
- Compliance with S.33 and 34 of the FAA;
- Timeliness of the grant payment; and
- Efficiency of the payment and recording process.

Test 3

File Review – Current and Deferred Tuition

We will select 5 samples from both current and deferred tuition files and we will examine them for:

- Evidence of athlete eligibility;
- Evidence of appropriate authorization;
- Compliance with S.33 and 34 of the FAA;
- Timeliness of the grant payment; and
- Efficiency of the payment and recording process

Test 4

File Review- Overpayments

We will select a sample of identified overpayments (which may occur upon athlete retirement, injury, for a period of more than 4 months or decarding) and examine for:

- evidence of action taken;
- follow up process;
- process used by AAP to deposit and record recoveries.

Test 5

Review of Management Reports

We will select a sample of management reports and :

- assess usefulness; and
- compare data to underlying records and source data.

Test 6

Review of Accountability Agreements with NSFs

We will select a sample of Accountability Agreements covering various NSFs and assess accountability.

Test 7

Review of Program Communication Plan

We will review the plan to ensure coverage of potential athletes is sufficient.

Section 5 Work Plan

Project Work Plan	Estimated Level of Effort			
	Project Leader	Junior Consult.	Inter-mediate	Total
Audit Phase				
Test 1	1	2	3	
Test 2	0	1	0	
Test 3	0	1	0	
Test 4	0	0	2	
Test 5	0	1	0	
Test 6	0	1	0	
Test 7	0	0	1	
Subtotal	1	6	6	13
Analysis	1	1	1	3
Reporting				
▪ draft audit report	1	1	1	
▪ review and edit draft report	1	0	0	
▪ submit final report	1	0	0	
Subtotal	3	1	1	5
Total Effort	5	8	8	21

**Sport Canada Response
to the
Findings and Recommendations
of the**

***Compliance Audit
of the
Athlete Assistance Program***

Introduction

The objectives of the audit were to assess the degree to which:

- Sport Canada had developed and documented rigorous internal processes and controls to deliver the AAP effectively;
- the governance arrangement and program delivery provided an acceptable level of transparency, accountability and risk management;
- the selection of grant recipients was done with care, was transparent, was done in accordance with published authorities and written procedures and in consultation with the appropriate individuals in the National sport federation (NSF);
- there was an appropriate segregation of duties of individuals who manage the AAP;
- Sport Canada had personnel with the appropriate competencies to manage and administer the AAP;
- due diligence was being exercised in the expenditure of AAP funds;
- signing authorities were in accordance with the Department's instrument of Delegation of Financial Authorities;
- there was adequate performance and continued eligibility monitoring of recipients by AAP staff and that the monitoring and evaluation information relied on by AAP staff was valid and reliable; and
- the AAP had identified risks associated with program delivery.

Sport Canada Conclusions

The audit concluded that, generally, procedures and controls were adequate to ensure that the appropriate level of funding was provided to athletes in accordance with published authorities and written procedures and that “the ability of the AAP staff to administer such a rapidly growing program was a testament to their competency”. However, the conclusion also indicated that some of the AAP processes required more formalized documentation to support actions taken and decisions made by the AAP management. Sport Canada Management finds the overall conclusion of the audit to be very positive and to reflect the excellent work being done by the AAP staff.

In responding to the audit Sport Canada will focus on addressing the specific findings and recommendations which are outlined in the audit report under the following issues:

1. Formalization of Processes
2. Communication
3. Risk Identification and Management

4. Staff Complement

Response to the Findings and Recommendations

1. Formalization of Processes

Procedures and controls are adequate to ensure that the appropriate level of funding is provided to athletes in accordance with published authorities and written procedures.

Recommendations:

- 1. It is recommended that the AAP initiate a more formalized process of documentation for each type of funding and for appeal activities. This process could be as simple as a short checklist of the activities carried out prior to funding approval, requiring signature from the individual responsible.*

Response:

Sport Canada believes it would be simpler and more effective to provide a check list on a sport by sport or batch basis where possible with 'exceptional files' being dealt with individually. Dealing with every individual file in this manner would greatly increase the amount of work load on the AAP staff and management without adding significant value or diligence. Attached as Appendix 'A' is a check list of activities in the approval processes for carding, tuition and appeals. Sport Canada will initiate this check list approach immediately.

The implementation of the above recommendation will increase work load for the AAP unit.

- 2. It is recommended that the AAP initiate a process to follow up all instances where the NSF does not provide written confirmation of athlete agreements. This could be accomplished by the use of a log (either manual or electronic) which would record the NSF, date of carding decision letter, date of expected confirmation and date received.*

Response:

Action has already been taken on this recommendation. A new PM-03 position created within the High Performance Unit has been assigned the responsibility to keep track of all the follow up steps required after each AAP Review meeting. A system will be set up to ensure that written confirmation of a signed athlete agreement is received for each carded athlete. This system could be incorporated into the implementation of the above recommendation or as a separate item.

3. *It is recommended that the AAP maintain a hard copy of all instances of delegation of authority to provide assurance that those individuals approving transactions were authorized to do so.*

Response:

The AAP Unit has already added this task to their regular work plans. However, the AAP Unit is one of several units that is affected by “delegation of authority”. While the AAP could maintain hard copies of delegation of authority Sport Canada Management believe that it would be more appropriate for the Administration Unit to maintain such hard copies, as this responsibility reasonably belongs with the admin unit and delegation of authority affects them on a much more regular and ongoing basis than the AAP.

Sport Canada Management will ensure that in the future a hard copy record of all delegation of authority is kept on record by the Administration Unit.

2. Communication

The AAP is adequately communicated to all potential candidates.

Recommendations:

1. *It is recommended that the AAP undertake to develop a communications monitoring plan that would provide assurance to the AAP that NSF's have an appropriate communications plan in place and that they are effectively carried out by the NSF's.*

Response:

While communication of carding criteria is discussed with NSF's during the Annual Review meeting, Sport Canada Management is in agreement that more should be done to ensure that NSF's have an appropriate communications plan in place and that they are effectively carried out by the NSF's. This could include a requirement that the NSF's provide in their annual submission a formal AAP communications plan or the AAP could develop a list of minimum requirements for each NSF to perform. The monitoring of this plan would be the responsibility of the Sport Canada Program Officer assigned to that sport.

Sport Canada will also develop its own communication plan for the AAP following the return of the AAP Manager from language training.

3. Risk Identification and Management

Processes are adequate to minimize the occurrence of overpayments and to maximize collection of overpayments

Recommendations:

1. *It is recommended that the AAP institute more rigorous procedures to collect overpayments even though occurrences are rare and amounts are small.*

Response:

In the past number of years policies have been put in place that have reduced the number of overpayments that have been made. Specifically, athletes who retire in mid carding cycle are provided with two months of “transition” support past the date of their official retirement. This has significantly reduced the number of overpayments to retiring athletes as a result of the AAP practice of making payments two months in advance. There were no overpayments made in 2000-2001 as a result of athletes retiring mid cycle which suggests that this issue is under control.

Sport Canada recommends that the initial letter to an athlete announcing that they have been overpaid include a clause indicating to the athlete and the NSF that no further AAP nominations or funding (including deferred tuition, special needs, etc.) will be entertained for this athlete until the overpayment is refunded but that otherwise the overpayment practices remain as is. This practice will be initiated immediately.

2. *It is recommended that the NSFs be required to provide the AAP with the date an athlete has retired or has been de-carded on the annual nomination list.*

Response:

As a matter of course the NSFs are already required to notify Sport Canada when athletes retired in mid carding cycle. Some action has already been taken on this recommendation as during the annual review meeting NSFs are being requested to indicate the dates that athletes have retired during the year. This will be formalized in writing as part of the annual AAP submission and review meeting immediately.

The AAP has identified all risks associated with the delivery of the program.

Recommendations:

1. *It is recommended that the AAP undertake to implement a formal risk management framework.*

Response:

A Risk Management Framework will be developed for the AAP. Such a framework will be incorporated into Sport Canada’s overall risk management framework. Additional training of staff required as an outcome of the framework will be provided according to the

recommendations developed. The Risk Management Framework for AAP will be in place by June of 2002.

AAP's Management Reporting is sufficient to enable management to make appropriate program decisions.

Recommendations:

None.

Response:

The implementation of the "Results Based Management and Accountability Framework" will allow for a more thorough evaluation of the AAP in the summer and fall of 2002. Sport Canada will monitor this process with a view to assessing reporting practices.

4. Staff Complement

Sport Canada has personnel with the appropriate competencies to manage and administer the AAP.

Recommendations:

1. *It is recommended that Sport Canada consider some cross-training of staff on certain aspects of the program.*

Response:

Problems arise in backfilling for the AAP Clerk from elsewhere in the branch and/or from an agency. Sport Canada agrees that other administrative people within Sport Canada should be trained in AAP staff responsibilities and will commit to finalizing a process to do this by February 2002. In the short term, the addition of a term AS-01 position to the AAP admin unit will help alleviate the work load issue and allow the redistribution of tasks within the unit such that the work of the current CR-04 position could be done by a generic CR-04 or agency staff with reduced training and monitoring.

There is also a problem with the centralized corporate memory in two key positions in the AAP unit - the Manager and the Coordinator. Sport Canada will consider steps to address this situation by April 2002.

2. *Sport Canada should examine whether or not the current staff complement should be augmented.*

Response:

Sport Canada acknowledges that the human resources that are currently allocated to the AAP unit are inadequate to accomplish all the required tasks and operate the program in its current form in an efficient and effective manner without placing great stress on the unit. We have added a temporary AS-01 position to address the immediate emergency and are committed to examining the work load requirements for the AAP with the objective of making the appropriate adjustments to redress the situation by April of 2002