



AUDIT
OF THE
GOING GLOBAL SCIENCE & TECHNOLOGY
CONTRIBUTION PROGRAM

NOVEMBER 2001

Audit Division (SIV)

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
INTRODUCTION	2
1.1 Overview	2
OBJECTIVES, SCOPE AND METHODOLOGY	3
2.1 Objectives	3
2.2 Scope and Sampling Strategy	3
2.3 Methodology	4
OBSERVATIONS AND RECOMMENDATIONS	5
3.1 Overview	5
3.2 Program Visibility and Accessibility	5
3.3 Application Process	6
3.4 Project Assessment and Approval	6
3.5 Agreements	7
3.6 Claims Verification and Payment	8
3.7 Monitoring and Reporting	9
ANNEX A	11
FILE REVIEW CHECKLIST	11

EXECUTIVE SUMMARY

In January 2001, the Internal Audit Division (SIV) conducted an audit of the Going Global Science and Technology Program (Going Global) as part of its review of Departmental Grants and Contributions. The Program has an annual funding level of \$390,000 and was formed in June 2000 by consolidating the Asia-Pacific International Business Development (JSTF) Program and the Science and Technology with European Partners (STEP) Program.

Going Global is administered and managed by the Science, Technology, and Partnering Division, Trade Commissioner Service (TBR). One year prior to the audit, Going Global was assigned a new Program Manager who is currently implementing administrative processes needed for management of this newly consolidated Program. A number of the changes made have been in direct response to concerns related to the two predecessor programs.

Overall, the Program is well managed. However, there are gaps in program documentation. Through the course of the audit, the following were noted with respect to the management of the Going Global Program:

- Program visibility and project application practices used by Program Management appear to be reasonable regarding provisions for public access to the Program.
- While management has been able to obtain sufficient information to assess applications against program criteria, documentation of project assessment and approval is generally not done.
- Contribution Agreements have been prepared in accordance with Departmental regulations such that they clearly address recipient obligations, reporting requirements, payment schedules, and the inclusion of an audit clause.
- Recipient claims are duly examined and are supported by appropriate documentation.
- Established project monitoring and reporting practices appear to be appropriate to ensure planned project objectives have been met and value has been received.
- Reports detailing the effects and benefits projects have on the Program as a whole currently are not produced.

INTRODUCTION

1.1 Overview

1.1.1 The Going Global Science and Technology Program (Going Global) has the mandate to promote Canada's international science and technology collaboration by assisting Canadian researchers in the identification and establishment of new international collaborative Research and Development (R&D) initiatives with foreign partners.

1.1.2 The Going Global Contribution Fund (\$390,000) was formed by consolidating the Asia-Pacific International Business Development (JSTF) Program (\$300,000) and the Science and Technology with European Partners (STEP) Program (\$90,000). This change was made to broaden the range of international collaborative R&D opportunities.

1.1.3 Recipients eligible for funding under Going Global are non-Federal Government researchers who require support to explore opportunities for collaborative R&D projects. Funding is intended to support efforts towards the initiation of collaborative R&D efforts, not to support research activities themselves. DFAIT will contribute up to 50% of the expenses eligible under the Program, up to the maximum level of \$50,000. Eligible expenses include travel, accommodation and other non-research expenses associated with establishment of collaborative R&D activities.

OBJECTIVES, SCOPE AND METHODOLOGY

2.1 Objectives

2.1.1 The overall objective of this audit was to review TBR administrative and operational frameworks surrounding the Going Global Science and Technology Program to:

- ensure compliance with the Treasury Board Policy on Transfer Payments;
- determine the effectiveness of program administration practices; and,
- identify opportunities for improvement as a service to management.

2.2 Scope and Sampling Strategy

2.2.1 Prior to the establishment of Going Global, JSTF (\$300,000) was administered by TBR, and STEP was administered partly by TBR (\$20,000) and partly by the Association of Universities and Colleges of Canada (AUCC) (\$70,000). AUCC no longer has any role in the administration of the Going Global Program. No project files administered by AUCC were selected for review.

2.2.2 The audit comprised a review of 10 projects from the 1999/2000 (STEP and JSTF) to 2000/2001 (Going Global) fiscal years. The total value of projects selected was \$239,745, which is 52% of the value of projects funded. The following table provides a breakdown of the funding by year for the sample of projects selected. The table was developed based on information provided by TBR.

Fiscal Year	Vote	Program Title	Total Program Budget	Total Projects for Year	Sample Projects Selected	Total Value of Program Projects	Total Value of Sample Projects	% of Total Program Value for Year
2000/2001	10	Going Global	\$390,000	6	4*	\$200,500	\$128,000	64%
1999/2000	10	STEP	\$90,000	5	3	\$16,990	\$7,845	46%
1999/2000	10	JSTF	\$300,000	6	3	\$246,900	\$103,900	42%
Grand Total				17	10	\$464,390	\$239,745	52%

* Two of the Going Global project files selected for review were not completed at the time of the audit. Accordingly, these files were evaluated up to the Contribution Agreement stage in the Program Management Life Cycle.

2.2.3 The value of individual projects funded ranged from \$1,800 to \$50,000. Expenses that were eligible for funding included travel, accommodation and non-research expenses. The large range of project values is due to the number of individuals that travelled (i.e. a single individual versus a delegation) and the location of travel (i.e., domestic versus international).

2.3 Methodology

2.3.1 The methodology comprised:

- an examination of Going Global and TBR operational documentation;
- interviews with TBR and TAM personnel regarding Going Global operations and processes; and,
- the review of a sample of project files against the *File Review Checklist* (refer to Annex A). This checklist, which incorporates Treasury Board Transfer Payments Policy requirements, was developed by SIV.

OBSERVATIONS AND RECOMMENDATIONS

3.1 Overview

3.1.1 Our detailed observations are presented in accordance with the Audit Team's review of the Program Management life cycle of a Going Global, STEP, JSTF Contribution Agreement which is composed of the following steps:

- Program Visibility and Accessibility
- Application Process
- Project Assessment and Approval
- Agreements
- Claims Verification and Payment
- Monitoring and Reporting

3.2 Program Visibility and Accessibility

3.2.1 Eligible recipients of Program funding are groups of two or more applicants representing various research organizations. Such organizations include universities, non-Federal Government research centres and private companies that require support to explore opportunities for collaborative R&D projects with foreign counterparts. Marketing for STEP and JSTF was informal, such that word of mouth was used to promote these two Programs. After the merger creating the Going Global Program, visibility issues surrounding Program awareness were addressed through the development and use of a Going Global website.

3.2.2 Applicants are made aware of Going Global by viewing the Program's website which is linked to the Foreign Affairs home page. The site includes the project application form, although its use is not required. Use of a website is seen by management as cost effective means to publicly promote the Program and address previous concerns related to accessibility. The website is effective in marketing the Program to eligible recipients.

3.2.3 At the time of the audit the website was in the process of being updated and had been down for a period of six months. The six month delay was caused by a redirection of TBR's efforts towards preparing a new 2000 TB submission. Efforts towards updating the website were put on hold until approval was granted for the 2000 TB submission. TBR has indicated that the site would be online "as soon as possible." Once the site is online, the issue of public access to program funds is expected to be addressed.

3.3 Application Process

3.3.1 Applicants apply for Program funding through letter, e-mail or mini proposal. The use of a standard application form was not evident in JSTF and STEP files. While these Programs had been managed informally, it is apparent that a dialogue between Departmental officials and applicants typically occurred enabling Program Officers to obtain information required to assess a project proposal against Program criteria.

3.3.2 At the time of the audit, the Deputy Director of Science and Technology was formalizing the application process by requiring applicants to specifically address the questions listed in the application form. This approach helps to clarify program requirements for the applicants, ensures consistency in the types of information collected from applicants, and facilitates the project assessment process.

3.3.3 TBR does not retain information on applicants and projects that are rejected for funding. Screening of applicants and their projects occurs at the point of contact with TBR. Applicants contact TBR with their ideas for potential projects and if they do not meet the criteria for program funding TBR will direct them to other fund programs for which their projects may be suitable.

3.4 Project Assessment and Approval

3.4.1 Project assessment and approval involves assessing the merit of the project and the ability of the recipient to carry out the project activities. This process is informal and involves soliciting feedback from program stakeholders and committee discussions between the two Deputy Directors and the Director of TBR. This process is effectively the same process that had been followed for STEP and JSTF.

3.4.2 The soliciting of feedback from Program stakeholders exists for all three programs. Stakeholders for Going Global include officers within TBR and external “experts” from other Government departments and academic institutions. These stakeholders provide scientific and technological advice needed to evaluate applications and the eligibility of applicants. Project files do not contain documentation detailing how feedback is incorporated into the decision to accept or reject projects for funding.

3.4.3 We did observe two other projects for which the assessment process specifically addressed project risks by completing background checks on foreign counterparts and analysing the economic situation of the country where the applicant had chosen to travel. Risk assessments such as this are useful in identifying risk exposures and associated mitigation strategies enabling projects to achieve a higher likelihood of success.

3.4.4 While management has been able to obtain sufficient information to assess an application against Program criteria, documentation of the assessment of a project and justification for approval decisions is generally not available.

3.4.5 Current practices expose the decision to criticism, especially if the project is not able to achieve its objectives. We observed two projects approved under the STEP Program for which concerns were raised with the merit of the project and the ability of the applicant to deliver the project. In one case the project was successful, but in the other case it was not.

3.4.6 Approval for projects is documented with the signing of the "Project Authorization" form that details the name of the project, amount of funding, the target country and subject area of the project. "Project Authorization" forms can be signed by either the Director or one of the Deputy Directors. All but one of the files reviewed contained a signed "Project Authorization" form.

Recommendation for TBR

3.4.7 Document management's project assessment, project risks and mitigation strategy for identified risks, and the justification and recommendation for funding projects.

TBR Response

3.4.7 TBR will be developing a "Going Global S&T Records Management Guide", to ensure that standardized written records are kept by project officers, using a checklist and documenting: initial inquiries from potential applicants; initial recommendations; consultations; project evaluations and risk assessment; TBR memoranda providing justification and recommending support; and approval/funding records.

3.5 Agreements

3.5.1 Contribution Agreements reviewed were found to be in compliance with Departmental requirements. The agreements:

- detailed the role of DFAIT in the contribution process;
- specified the amount of the contribution;
- detailed specific project requirements, and recipient obligations and reporting requirements;

- outlined payment schedules;
- contained an audit clause; and,
- included the signatures of both the Director and one of the Deputy Directors.

3.5.2 TBR is responsible to monitor the recipient as per the terms and conditions of the Contribution Agreement.

3.5.3 The Contribution Agreement requires recipients of funding prepare a comprehensive final report describing the event (workshop, reception, etc.), meetings and discussions held, anticipated outcomes and action items resulting from the initiative. Final project reports are key to ensuring that funding is used to further program objectives. All project files reviewed contained a copy of the final report submitted by the recipient.

3.6 Claims Verification and Payment

3.6.1 TBR verifies invoices and supporting documentation as received from Program recipients. Once approved by TBR, this documentation is sent to the Area Management Office - International Business, Passport, and Consular Affairs (TAM) for processing and payment. TBR does not retain invoice and payment documentation, it relies on TAM for this function.

3.6.2 We found, with the exception of one project, that the amount paid to recipients agreed with the amount cited in the Contribution Agreement.

3.6.3 For one project related to the STEP Program, the amount paid to the recipient exceeded the amount cited in the Contribution Agreement by ten percent. The Contribution Agreement was for \$5,000 and the applicant submitted an invoice for \$5,528 which was approved and paid, suggesting that an amendment was in order, but had not occurred. Our review of the expenditures indicated that they were consistent with the Agreement. However, we were unable to find any documentation that justified the increased payment.

3.6.4 The Deputy Director of Science and Technology was unable to provide justification for the increased payment because it occurred before he became the Program Manager.

Recommendation for TBR

3.6.5 Document the justification for the approval of payments in variance with the Contribution Agreement.

TBR Response

3.6.5 TBR believes that the one exception in approval of payments identified by SIV's audit was an inadvertent oversight, and that normally the amount paid to the recipients agrees with the amount cited in the Contribution Agreement. However, if such an exception should occur again, it will be fully documented.

3.7 Monitoring and Reporting

3.7.1 Program Management's monitoring processes are ongoing throughout the life of projects. Contact is made with recipients in accordance with the schedule of project events allowing DFAIT's intervention as needed to facilitate successful completion. Recipients are expected to submit final reports upon completion of their projects. Generally reports are submitted on schedule, but there are some exceptions where Program Management has to follow up on outstanding reports.

3.7.2 In general, final project reports contain sufficient information to evaluate the success of projects. The final reports provide a description of the event and proceedings of meetings and discussions held as well as the nature of contacts made for future scientific collaborations.

3.7.3 For the files selected, we found project reports were submitted on time and contained evidence that the project produced the intended results.

3.7.4 Under the Terms and Conditions of the Going Global Program as approved by the Treasury Board, DFAIT is required to prepare a report once a year on the immediate outcomes of the Program to facilitate the Program Management process. This report is expected to include:

- details on Program budgets, expenditures, and lapsed funds;
- project listings and summaries;
- information indicating whether or not projects were successful in meeting Program objectives;
- an assessment of subsequent activities resulting from funding; and,
- information on the demand for the Program in relation to the number of awards.

3.7.5 In addition, a Program impact statement is required every three years. That report is expected to:

- contain an assessment of the Program's long term impact in relation to its broad objective: advancing Canada's trade and economic interests abroad by promoting Canada's international science and technology collaboration; and,
- be undertaken primarily through client surveys assessing the volume of incremental R&D collaboration and business generated thanks to the Program.

3.7.6 Program Management has indicated that Program assessment reports detailing the effects and benefits of projects funded during the year on the Program are not prepared.

Recommendation for TBR

3.7.7 To comply with TBS approved Terms and Conditions for Going Global, TBR should:

- **Prepare an annual report assessing the benefits of the Program.**
- **Prepare for the conduct of a review of Going Global to produce the Program impact statement, as required by TB and due in 2003.**

TBR Response

3.7.7 TBR will be developing a "Going Global S&T Records Management Guide", which will include:

- **The requirement to keep TBR file records for evaluating the program by reporting once a year on immediate outcomes.**
- **The requirement to keep TBR file records for evaluating the program every three years by means of an impact assessment of program objectives.**

**ANNEX A
FILE REVIEW CHECKLIST**

Sample Number: _____

Applicant/Company Name (Recipient): _____

Program Element: _____

Grant _____ Contribution _____ Repayable Contribution? Yes No

Vote: 1 10 Amount of Grant/Contribution/Contract: _____

Description of Project: _____

Time Period for Project: _____

Reviewed By (auditor and date): _____

Description		Y	N	N/A	Comments
Application					
1	Is the applicant's request for funding on file?				
2	Does the application/request contain sufficient information to assess the project against program criteria?				
Review, Eligibility and Approval					
3	Is the project consistent with the program mandate and objectives?				
4	Is there evidence that the project has been reviewed against program criteria (general and specific)?				
5	Is there evidence of consultation with project stakeholder(s) for acceptance or refusal of the project?				
6	Does the review process address the risks associated with the successful achievement of project objectives?				
7	Is there a project Evaluation Form on file?				
8	Has the project been approved by the appropriate officer (Record of approval)?				
The Agreement		Y	N	N/A	Comments

9	Is there a copy of the grant/contribution agreement or contract on file?				
10	Does the agreement include a reporting clause?				
11	Does the agreement include an audit clause?				
12	If there is an amendment, is there a rationale/evidence on file for project or funding amendment?				
13	If there is an amendment, is there an amended agreement, containing both signatures, on file?				
14	Is there evidence on file that the agreement has been reviewed by the appropriate departmental officer?				
Payments/Transfers					
15	Is there a payment requisition on file?				
16	Have approval authorities been obtained and signed by the appropriate officer (Sec. 34)?				
17	Did the amount paid agree with the amount in the agreement (verify against departmental financial system)?				
18	Were advance payments made? If so, as per policy?				
19	Was funding provided from the appropriate Vote?				
Monitoring and Reporting					
20	Has the recipient provided activity, progress or project reports? At what intervals?				
21	Upon closing the file, is there an assessment done by TBR of the project? (relevance, outcome, outputs)				
22	Upon closing the file, is there an assessment of the recipient (e.g., performance)? (to develop track record)				
23	Is there evidence that the project produced the intended results?				
Program Management					
24	Is the file well-organized?				
25	Is the status of the project readily apparent to allow any project officer to assume responsibility for the file?				

October 4, 2000