



**AUDIT OF THE
CONTRIBUTIONS FOR
ACTIVITIES OF THE INTERNATIONAL
FRANCOPHONIE**

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**Foreign Affairs Canada and International Trade Canada
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Audit Division (SIV)**

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
BACKGROUND, OBJECTIVES AND SCOPE, AND METHODOLOGY	2
1.1 Background	2
1.2 Scope and Objectives	2
1.3 Methodology	3
OBSERVATIONS AND RECOMMENDATIONS	4
2.1 Program Launch	4
2.2 Approval Process	4
2.3 Contribution Agreements	6
2.4 Payments	6
2.5 Case of the Agence universitaire de la Francophonie	7

EXECUTIVE SUMMARY

As part of the departmental review of grants and contributions, the Audit Division (SIV) undertook an audit of the contributions made by the Francophonie Affairs Division (IMF). The audit focussed on contributions under "Fund 672" which totalled \$542,000 for fiscal year 1999-2000. During that year, Fund 672 was supplemented by \$322,000 from the Public Diplomacy fund to enable IMF to attain its objectives relating to the international Francophonie. IMF distributed this amount among twenty-five recipients.

Based on a review of IMF's processes and of a sample of ten contributions, we have made recommendations to IMF to improve key aspects of the contribution program's management related to program promotion, monitoring, control of funds and evaluation of program effectiveness. In particular:

- There is a need for more consistency in the way project files are maintained by IMF. Some files contain the appropriate documentation, while others are only partially complete.
- The contribution program is not very well known, other than by the traditional partners of La Francophonie. The majority of the funds were allocated to organizations in the institutional and associative Francophonie category. IMF will need to make a much wider audience aware of the program.
- IMF must ensure that it receives performance and financial reports from the recipients of contribution funding. These reports provide program Officers performance information on the use of project funds. Based on the documentation kept on file, the Audit Team was unable to assess whether the recipients had met their performance criteria.

BACKGROUND, OBJECTIVES AND SCOPE, AND METHODOLOGY

1.1 Background

1.1.1 This contribution program was established in 1977, at the request of the Minister responsible for the Canadian Francophonie, in order to support the participation of French-language non-government organizations (NGOs) of international scope in the activities of La Francophonie. The fund is managed by IMF. Foreign Affairs Canada (FAC) allocates \$542,000 annually to IMF in accordance with terms approved by the Treasury Board. Moreover, \$322,000 from the Public Diplomacy fund was also used to fund activities of the international Francophonie in accordance with terms approved by the Treasury Board.

1.1.2 The purpose of the program is to promote the Canadian French-speaking community within the international Francophonie, enhance the role or presence of Canada within organizations of La Francophonie and support individual Canadians and/or Canadian NGOs involved in activities to promote La Francophonie.

1.2 Scope and Objectives

1.2.1 The overall objective of this audit was to review IMF's administrative and operational framework related to the process of allocating contributions for international Francophonie projects in order to:

- ensure compliance with the Treasury Board's policy on transfer payments;
- determine the effectiveness of the program's management practices; and,
- identify possible ways of improving the management of the contributions in order to support program managers.

1.2.2 A sample of ten projects was examined out of the twenty-five funded during the 1999-2000 fiscal year. The total value of the projects selected was \$466,000, or 54% of the total value of the projects funded that year. The table below provides a detailed look at the funding provided annually for the sample of projects selected. The sample ranged from contributions of \$1,000 to \$200,000.

Fiscal year	Vote	Program title	Total program budget	Total number of projects	Sample of projects selected	Total value of projects under program	Total value of projects in sample	% of total value of program for year
1999-2000	10	Francophonie promotion activities (fund 672)	\$542,000	17	7	\$542,000	\$309,000	57%
1999-2000	10	Public diplomacy (fund)	\$322,000	8	3	\$322,000	\$157,000	49%
Grand total						\$864,000	\$466,000	54%

1.3 Methodology

1.3.1 The audit methodology is comprised of:

- a document review of IMF’s operations and the activities of the international Francophonie;
- consultations with the Director and the Deputy Administrator of IMF; and,
- a review of sample projects to ensure compliance with the Treasury Board’s policy on transfer payments.

OBSERVATIONS AND RECOMMENDATIONS

2.1 Program Launch

2.1.1 This contribution program was established in 1977. Potential applicants learn about the contribution program mostly through word of mouth. The Program has not been actively promoted to potential partners on the Internet or by other means. There has been no awareness campaign, nor have there been any announcements or press releases to publicize its existence. For purposes of complying with the policy on transfer payments, the management of all grant and contribution programs need to ensure exposure to the public and transparency of the program. IMF needs to ensure that a strategy is in place to inform potential applicants of the existence of the program.

Recommendation for IMF

2.1.2 IMF should develop and communicate a strategy to publicize this contribution program to all potential partners in La Francophonie, including the general public.

IMF Response

2.1.2 Detailed program information is now advertised on the departmental Web site for potential partners and the general public to view.

2.2 Approval Process

2.2.1 NGOs send a proposal explaining their activities and the financial support they need to carry them out. The format of proposals varies from one applicant to another, as there is no standard application form ensuring that the same information is obtained from each applicant.

2.2.2 According to the information available at the time of the audit, the bulk of the funds is allocated to organizations in the institutional and associative Francophonie category, that is, NGOs that are well established and have gained the respect of the major players in La Francophonie. The remainder goes to the other partners in La Francophonie. Decisions are made in consultation with the Secretary of State for La Francophonie.

2.2.3 Proposals for funding activities of the international Francophonie are reviewed by a two-member committee comprising the Director and the Deputy Director of IMF. There is no outside advisory board other than the ad hoc committee that manages the Public Diplomacy fund.

2.2.4 Once projects have been selected, IMF prepares a funding proposal for the entire current fiscal year. This proposal, in the form of a memorandum to the Secretary of State, details the status of the promotion fund for activities of La Francophonie and the approach recommended for allocating the \$542,000 under Fund 672. Discussions between IMF and the Secretary of State concerning the funding proposal follow.

Recommendation for IMF

2.2.5 IMF should develop a standard application form that will capture the same information from each applicant.

IMF Response

2.2.5 A standard bilingual application form has been developed and is available on the Internet.

2.2.6 Eight of the ten recipients completed a detailed proposal for project funding. In two cases, we noted that there was no proposal or written request from the recipient on file, yet the project was approved and funded. It is, therefore, difficult for IMF to justify the expenditure, verify the approval procedures, selection criteria, or merits of the recipients and projects in question. In order for a contribution to be approved, there should be a minimum amount of correspondence on file to establish the amount of funding and evaluate the project's merits.

2.2.7 In addition, six organizations included in the above sample of ten recipients apply for and receive funding annually from IMF. This may result in an NGO's dependence on this program to finance its activities.

Recommendation for IMF

2.2.8 IMF should include in each project file all supporting documents, such as the applicant's proposal, the evaluation of the proposal against the selection criteria, and the committee's final decision.

IMF Response

2.2.8 All supporting documents, including the standard application, the tentative budget, the committee's recommendations to the Minister of La Francophonie, and the Minister's approval letter are now placed on the project file.

2.3 Contribution Agreements

2.3.1 IMF uses a one-page template agreement for all its contribution agreements. The template contains the effective date, amount and purpose of the contribution, in addition to the disbursement terms, recipient obligations, a clause concerning the right to conduct an audit of expenditures, and the signatures of the recipient and Department, represented by the Director of IMF.

2.3.2 The template agreement used by IMF differs from the 14-page template agreement suggested by the Department. While it contains some of the key elements of a contribution agreement, it does not contain all. Appendix C of the departmental policy on grants and contributions sets out the requirements relating to contribution agreements and details all of the basic conditions to be included in the agreements.

Recommendation for IMF

2.3.3 IMF should adopt the Department's suggested template agreement.

IMF Response

2.3.3 The template agreement used by IMF is approved by SMFH.

2.4 Payments

2.4.1 Before making a disbursement pursuant to a contribution agreement, managers must ascertain whether or not the recipient has met the conditions of the agreement. Sixty per cent of contributions are disbursed in the form of reimbursements rather than advance payments, and most are disbursed in one single payment. In the audit sample, four projects received advance payments in accordance with the Treasury Board's suggested frequency of disbursement. Only one project in the sample did not comply with the policy on transfer payments. In that case a disbursement of over \$100,000 was made in a single payment, rather than in two payments as required by TB Policy. In order to ensure compliance with the policy on transfer payments, IMF should hold back 10% of the funds for any contribution involving an advance payment.

2.4.2 Our findings revealed that IMF payment requisitions meet the requirements of Sections 33 and 34 of the Financial Administration Act (FAA).

2.4.3 In the majority of the sample project files, payments were made on the basis of budget estimates. However, the budget estimates do not show whether the funds were spent by the recipient on the project being funded. Treasury Board policy states that the recipient must report on the use of the funds and provide reports on financial statements and on actual results attained. IMF has an obligation to request these two types of reports from the recipient before disbursing 100% of the funds.

Although all of the agreements entered into by IMF contain a clause requiring such reports, only 40% of the files in the sample contained both reports. Of the remaining 60% of the sample, 40% were missing financial reports and 50% were missing activity reports showing the results attained by the project.

2.4.4 In several of these cases, IMF had sent a written request for the reports, to no avail, as the contribution had already been paid to the recipient and the effort required to gather all the necessary information was too great. Since the recipient had already received the total of all funds approved, it did not feel obliged to provide the requested report.

Recommendation for IMF

2.4.5 IMF should ensure that it obtains, from each contribution recipient, a report on the fund utilization and a report on the project's actual activity results before it makes full disbursement of the funds.

IMF Response

2.4.5 IMF has authority to advance 75% of the contribution funds. If the recipient's final report indicates expenses were less than the funds provided, the recipient is required to refund the surplus funds.

2.5 Case of the Agence universitaire de la Francophonie

2.5.1 In 1999/2000, a contribution of \$200,000 was made to the Association des universités partiellement ou entièrement de langue française (AUPELF) and the Université des réseaux d'expression française (UREF), now known as the Agence universitaire de la francophonie (AUF). The contribution agreement has been in effect since 1993/94 for a total disbursement of \$1.6 million since that time.

2.5.2 The AUF project file is incomplete. There is no proposal for funding, and no financial or activity reports were submitted by the AUF, yet a contribution agreement was drafted and signed by both parties. The funds paid to the AUF are used to support AUF activities (as working capital) rather than a specific project. This is contrary to the basic criteria for Fund 672, which state that monies must be used to fund a project, not as working capital. Because the Agency did not produce any reports, we have no way of knowing with certainty what international activities have been undertaken by the AUF. The contribution paid by the Department to the AUF may not have been adequately monitored or re-evaluated at regular intervals. It is not possible to determine whether resources have been used in a judicious, efficient and effective manner and this constitutes a potential risk for the Department.

2.5.3 The AUF was the subject of French-language press in Europe and in Canada when a report submitted to the General Secretary of the organization of the international Francophonie in July 1999 severely criticized the way in which the Agency operated. The report's findings revealed that the Agency was unstable and far from effective. The fallout from the report included the resignation of the AUF's Director General.

Recommendation for IMF

2.5.4 IMF should assess whether the performance of AUF complies with the terms and conditions of the contribution agreement and the program.

IMF Response

2.5.4 IMF ensures that the performance of the organization complies with the terms and conditions of the funding arrangement in place.