



**INTERNAL AUDIT
OF THE
GOING GLOBAL SCIENCE AND TECHNOLOGY
CONTRIBUTION FUND**

June 2005

**Foreign Affairs Canada
International Trade Canada
Office of the Inspector General
Audit Division (ZIV)**

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
1.0 OVERVIEW	2
2.0 SCOPE, OBJECTIVES and METHODOLOGY	2
2.1 Scope	2
2.2 Objectives	2
2.3 Methodology	3
3.0 OBSERVATIONS	3
3.1 Application, Assessment and Approval	3
3.2 Contribution Agreements	4
3.3 Terms, Methods of Payments and Monitoring	4
3.4 Records Management	5
3.5 Recipient Audits	5

EXECUTIVE SUMMARY

The Audit Division (ZIV) undertook an audit of the internal management of the Going Global Science and Technology Fund (TBR) contribution program. This audit was conducted by ZIV as part of its review of departmental Grants and Contributions. The objective of the audit was to determine the extent to which the contribution program was managed with sound comptrollership practices and complied with legislative and regulatory requirements.

The scope of the audit encompassed total TBR funding of \$390,000 for fiscal year 2004/05. At the time of the audit, 18 contribution agreements had been entered into by the program. The Audit Team reviewed a sample of eight projects, with a total approved budget of \$117,830, 30% of the Program's contribution funding.

The Audit Team found that the contribution program is managed with sound comptrollership practices and complies with legislative and regulatory requirements. The contribution agreements are justified under the appropriate authorities and were found to be in agreement with the requirements of the Treasury Board and departmental Transfer Payment Policies. The practices and processes in TBR ensure that program funds are managed with due diligence and that payments are made in accordance with the policies. The contribution files contained the relevant documentation and indicated that proper approvals had been obtained for the contribution payments. There are no audit recommendations.

The Audit Team also undertook a follow-up to the recommendations made in the November 2001 Going Global Audit Report and found that all recommendations made in that report had been implemented.

The TBR audit strategy, as per the Treasury Board approved Risk Based Audit Framework (RBAF), requires that in addition to the internal audit, three recipient audits be completed on an annual basis. As of the date of this internal audit report, three recipient audits had been completed for projects undertaken in the 2003/2004 fiscal year.

1.0 OVERVIEW

1.1 Treasury Board Ministers provided the Department (ITCan) with the authority to make discretionary contributions to Canadian researchers to promote Canada's International Science and Technology collaboration by identifying and establishing new international collaborative research and development (R&D) initiatives. Emphasis is given to the support of projects that build on Canada's science and technology and foreign policy priorities; facilitate the access of Canadian researchers to major international research networks; and ensure that Canadian companies can gain access to cutting edge research and technologies not available in Canada.

1.2 The "Going Global S&T" Program supports projects that are aimed at establishing coordination mechanisms/platforms for exploring international R&D collaborative opportunities with foreign partners or international programs.

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. Going Global will contribute up to 50% of the expenses eligible under the program, to the maximum of \$50,000. Eligible expenses include travel, accommodation and other non-research expenses associated with establishment of collaborative R&D activities.

2.0 SCOPE, OBJECTIVES and METHODOLOGY

2.1 Scope

2.1.1 This audit focussed on the administrative practices, processes (systems) and controls related to the management of the contributions made under the Going Global S&T Program during the 2004/05 fiscal year. The Audit Team audited the contribution program in accordance with Treasury Board and departmental Transfer Payment Policies.

2.2 Objectives

2.2.1 The overall objective was to determine the extent to which the contribution program was managed with sound comptrollership practices and complied with legislative and regulatory requirements. In particular, the audit focussed on determining whether:

- the contribution agreements (CAs) were justified under appropriate authorities;
- the CAs were prepared in accordance with the Department's Policy on Transfer Payments;

- the terms and method of payments were in compliance with Treasury Board approved terms and conditions; and,
- the program officers conducted project monitoring.

2.3 Methodology

2.3.1 The audit examined the major business processes and key controls associated with the management of the CAs in TBR. We conducted a comprehensive review of relevant program documentation and interviewed key TBR personnel.

2.3.2 The examination phase of the audit was conducted during December 2004. Out of a total of 18 projects underway or completed at that time, an initial sample of eight completed project files were selected accounting for \$117,830, 30% of program budget.¹ Based on the positive results found in the initial sample, the sample was not expanded.

2.3.3 The Audit Team reviewed the Recipient Audit Reports that have been conducted during the 2004/2005 fiscal year for projects undertaken in 2003/2004 fiscal year.

2.3.4 In addition to the interviews and file review, the Audit Team also performed a follow-up on the recommendations made in the November 2001 Audit of the Going Global Science and Technology Program. All recommendations were found to have been actioned appropriately.

3.0 OBSERVATIONS

3.1 Application, Assessment and Approval

3.1.1 Applicants apply for program funding by completing the application form and submitting it to the program administrator. All applicants that do not adhere to the application form are contacted and asked to do so. Once the project proposal has met this basic requirement it is given to a program officer for review.

3.1.2 The designated program officer reviews the project proposal by evaluating it against an established set of criteria and recommending it for acceptance or refusal. The assessment is documented through the use of an assessment form and is maintained on file.

¹The initial sample selected included projects that varied in size - small, medium and large. Of the \$117,830 allocated for these projects, only \$92,900 was disbursed (24% of the program budget) due to projects coming in on or under budget.

3.1.3 The proposal is then submitted to the two deputy directors for review. Once the deputies have approved the project, the proposal is then given to the director for final approval. The approval is documented using a project approval form and is maintained on file.

3.2 Contribution Agreements (CAs)

3.2.1 The CAs respect the template as set out by SMD and were justified under appropriate authorities.

3.2.2 The Audit Team found that, with the exception of the clause relating to class of air travel, the clauses of the CAs were in agreement with the applicable requirements of the Treasury Board and departmental Transfer Payment Policies. CAs have SMFH approval and, where needed, suggested corrections were made before being issued to the recipients.

3.2.3 The standard clause used by TBR for air travel is not consistent with the Treasury Board guidelines as it does not restrict the recipient to purchase the lowest possible airfare, including charters and other discounts for each trip and to book immediately upon contract approval so as to take advantage of the lowest fares. In speaking with SMFH, the Audit Team understands that the template being used by all programs did not address this issue and has been subsequently revised (for fiscal year 2005/06) to reflect this requirement. As a result no recommendation is noted.

3.3 Terms, Methods of Payments and Monitoring

3.3.1 Practices and processes were found to be in place to ensure that program funds are managed with due diligence and that payments are made in accordance with the policies and the CA terms and methods of payment. To reflect proper lines of accountability, TBR ensures that all documentation and applicable approvals are documented in agreement files to support the disposition of project funds.

3.3.2 Good practices are in place for the monitoring of results. The program officers review the final reports to ensure that the recipients have met the requirements of the program. The program administrator reviews the financial report to ensure that the Department covers only 50% of the eligible costs of the project. One exception was noted during the course of a recipient audit (see 3.5). When warranted, the program administrator will consult with the proper authorities before proceeding with the payment process. Once the reports or other outputs have been accepted, they are submitted to the director for payment approval.

3.3.3 Contribution payments are approved by authorized persons, based on the achievement of performance objectives set out in the agreement or as a reimbursement of eligible costs incurred by the recipient. Payments are not made until all required reports have been received.

3.4 Records Management

3.4.1 Contribution files were found to be complete. While accounting records and other relevant documents were maintained and disclosed the amounts paid to recipients, the files were not always well organized. The program administrator explained to the Audit Team that a clean-up/organization of all files occurs at year-end.

3.5 Recipient Audits

3.5.1 TBR, in conjunction with ZIV, has developed a risk management assessment for recipient audits, which includes:

- a determination of which recipients are to be audited;
- a determination of whether the scope, frequency and scheduling of audits meet program requirements; and,
- a determination of appropriate follow-up action of audit findings.

3.5.2 As required by TBR's RBAF, three recipients audits (for projects completed during fiscal year 2003/2004) were undertaken by ZIV during the 2004/2005 fiscal year.

3.5.3 Generally, the recipients that were audited maintained complete and comprehensive records of costs, expenditures and commitments incurred in the course of performing the obligations pursuant to the CA.

3.5.4 One recipient had incorrectly claimed expenditures over the amount allowed by the contribution agreement. Due to miscalculation, the overclaimed amount was \$664 or 3% of the value and the recipient subsequently returned the excess amount.