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**AUDIT  
OF THE  
CONTRIBUTIONS TO  
INTERNATIONAL SOCIAL SERVICES CANADA (ISSC)**

**APRIL 2003**

**Audit Division ( SIV )**

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## **EXECUTIVE SUMMARY**

The Internal Audit Division (SIV) undertook an audit of Consular Affairs Bureau's (JPD) management of the Contributions to International Social Services Canada (ISSC) as part of its review of Departmental Grants and Contributions. The objective of the audit was to provide assurance as to whether ISSC contribution payments are managed in accordance with the Department's policy on grant and contribution programs and to determine the extent to which the contribution program was managed with sound comptrollership practices.

The files for the contribution agreement with ISSC were audited and found to be in compliance with Departmental policy. The criteria used to assess the contribution program were derived from the Department of Foreign Affairs and International Trade (DFAIT) and Treasury Board Secretariat (TBS) policies, guidelines and procedures and were discussed with and agreed to by Consular Affairs Bureau (JPD) management. Notwithstanding that the files contained the relevant documentation and proper approvals for payments, the program files could be better organized and more complete. The activities of the recipient are being monitored by both the Director, Program Services (JPP) and Case Management Officers (JPO).

## **SCOPE, OBJECTIVES AND METHODOLOGY**

### **1.1 Scope**

1.1.1 This audit focussed on JPD's practices and controls related to the management of its contributions to ISSC. The contribution agreement is in effect for the fiscal years 2001-2002 to 2005-2006. The Audit Team audited JPD's role in managing the contribution program in accordance with Treasury Board and Departmental Transfer Payment Policies.

### **1.2 Objectives**

1.2.1 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 agreement was justified under appropriate authorities;
- the contribution agreement was prepared in accordance with DFAIT'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.

### **1.3 Methodology**

1.3.1 The audit examined the major business processes and key controls associated with the management of the contribution agreements at DFAIT. The examination phase of the audit was conducted during the period December 2002 and January 2003.

1.3.2 We conducted a comprehensive review of relevant program documentation and interviewed key personnel in the Consular Affairs Bureau's Case Management and Program Services, Area Management Office (SAM), Supplier Accounts (SMFS) and Program Analysis (SMPT).

## OVERVIEW

2.1.1 ISSC is a non-governmental, non-profit organization that has been providing consular assistance to Canadian citizens in Canada and abroad since 1979.

2.1.2 Treasury Board \*\*\* approved the terms and conditions for the renewal of Canada's contribution to the ISSC up to \$80,000 annually for the five-year period 2001-2002 to 2005-2006. The funds are charged to the Department's Vote 10, Grants and Contributions.

2.1.3 DFAIT's contribution represents the key source of funding for the ISSC's operational expenditures. Other funding sources are from the provinces, memberships, and donations. In addition, DFAIT maintains a service contract with ISSC for individual case referrals at \$2,000 per referral.

2.1.4 SIV provided support to the program in developing its Risk-based Audit Framework (RBAF) in February 2001. The overall level of risk associated with funding the ISSC is low. This is largely due to the fact that the amounts involved are relatively small (\$80,000 per year) and the Department has had many years of experience working with ISSC. In addition, the Evaluation Division (SIE) conducted an evaluation of ISSC. The report, dated May 14, 2002, concluded that ISSC provides a cost-effective response mechanism to distressed Canadians, as well as high quality services at a cost less than DFAIT could provide internally.

2.1.5 The contribution agreement provides an undertaking by ISSC to provide DFAIT an annual report of its annual general meeting, as well as financial statements verified by an accredited audit firm. SIV reviewed the annual reports for the fiscal years ended March 31, 2001 and 2002 and the audited financial statements for the fiscal years ended March 31, 2001 and 2002.

2.1.6 The annual report identified results, significant issues and gaps in services for the fiscal year ended March 31, 2002. Services were conducted in 77 countries in fiscal year 2000-2001 and 65 countries in fiscal year 2001-2002, with family and child welfare cases representing the majority of the services provided.

2.1.7 The appointed auditors gave a clear and unqualified opinion on ISSC's financial statements as at March 31, 2002 in accordance with generally accepted accounting principles.

## **OBSERVATIONS AND RECOMMENDATIONS**

### **3.1 Annual Report and Audited Financial Statements**

3.1.1 Annex A of the contribution agreement describes the undertakings agreed to by the ISSC. One undertaking states, "...ISSC will provide to DFAIT an annual report of the annual general meeting of ISSC as well as financial statements verified by an accredited audit firm". This undertaking was fulfilled for the fiscal year ended March 31, 2001 but neither the annual report nor the audited financial statements were on file for the fiscal year ended March 31, 2002 at the time of the audit. Before the audit was completed, the recipient had provided both the annual report and the audited financial statements but this was 10 months after the end of the fiscal year. It is essential that these reports are received and reviewed by JPD as an important element of its management control framework.

#### **Recommendation for JPD**

**3.1.2 JPD should ensure that it receives and reviews ISSC's annual report and audited financial statements within the first quarter following the end of the ISSC's fiscal year-end.**

#### **JPD Response**

**3.1.2 The importance of JPD receiving ISSC's annual report and audited financial statements promptly has been discussed with the Executive Director of ISSC, who will ensure that, in future, the reports are made available to the Consular Bureau on a timely basis for review by Consular staff. Follow-up will be undertaken as needed.**

### **3.2 Monitoring, Contribution Payments and Program File Management**

3.2.1 JPP monitors the quarterly financial reports and requests for payments by the recipient, and prepares the quarterly quality performance reports which are based on performance assessments submitted by JPO. JPD receives and reviews JPP's comments before approving the request for payment on behalf of the Program. The request is then forwarded to the Area Management Advisor (SAM) where another review is conducted and the payment is certified under Section 34 of the Financial Administration Act (FAA). Finally, SMFS will certify payment under Section 33 of the FAA.

3.2.2 The quarterly performance report prepared by JPP is a summary of all of the assessments of the quality of the ISSC's services reported by case management

officers. The quality performance report will provide an overall satisfaction rating of the services provided by ISSC. On a scale of 1 to 10, scores have been consistently above 8.

3.2.3 The method of payment in Annex B of the contribution agreement provides for advance payments based on quarterly forecasts. SAM did not have a complete copy of the contribution agreement and all payments were made based on a report of actual costs reported and consequently all payments were made after the fact. ISSC can and may request advance payments allowed for in the contribution agreement.

3.2.4 Program files were generally incomplete and disorganized. Documents that comprised the audit trail from program proposal to its approval were filed in a loose fashion and were, in some instances, missing from the file, but subsequently found. Some files contained an assortment of documents such as invoices related to the service contract, requests for payments related to the contribution agreement and quality assessment forms and quarterly performance reports. In the Department's Policy on Grants and Contributions under the Management of Grant and Contribution Programs, Section 6.2 (a) it states: "Proper program and accounting records and other relevant documents must be maintained to provide documentary evidence of decisions made (both initial agreements and any changes subsequently) and to enable disclosure of the amounts paid to the payment recipients". It further states that SXIS can assist divisions in record keeping, e.g. file creation, management and retention periods for the files. JPD may want to consider one file for the Treasury Board proposals and approvals and contribution agreement, a second file for invoices related to the service contract, a third for payments related to the contribution agreement and a fourth for assessment forms and quarterly performance reports.

### **Recommendation for SAM**

**3.2.5 SAM should have a complete copy of the contribution agreement, including payment procedures.**

### **SAM Response**

**3.2.5 SAM now has a complete copy of the contribution agreement, including payment procedures.**

### **Recommendation for JPD**

**3.2.6 JPD should properly organize its program files with all required documentation easily accessible.**

## **JPD Response**

- 3.2.6 Arrangements were made with SXIS for a member of their team to work with JPP staff to better organize the program files. This project was completed on March 14, 2003.**