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# Audit of the Support for Official- Language Communities Program

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for the

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## **Summary**

*The Corporate Review Branch at Canadian Heritage has completed an audit of one of the Department's grant and contribution programs, the Support for Official-Language Communities Program (SOLCP). The audit addressed all activities of the program, both at headquarters and in the five regions of the Department. It examined the management framework as well as a sample of files containing information on the funding provided during the last two years, i.e. for the period from April 1, 1999, to December 31, 2000.*

### **Strengths**

*The audit of the SOLCP made it possible to assess the main strengths of the process. For instance, the use of the Canada-community agreements, which require that the communities take responsibility, increases the probability that the organizations that receive funding are those which contribute the most to the concrete needs of these communities.*

*The application form and the accompanying guide are good tools which facilitate preparation of the applications and ensure uniformity of the data from one region of the Department to another. The activities proposed by the organizations that receive funding are in keeping with the objectives of the agreements and of the program, and the type of expenditures they plan to make with the funding is well documented.*

*Generally, all aspects relating to the payments made to the recipients are in compliance with the Financial Administration Act (FAA). Furthermore, the information or documents required from the recipient in the letter from the Minister are received within the prescribed timeframe, or when available, and without the Department having to make further demands to obtain them.*

### **Areas for improvement**

*The terms and conditions and regulatory frameworks specific to the program date back several years and no longer necessarily reflect the structure of the programs as it exists today, or the new approach represented by the Canada-community agreements.*

*The file review highlighted the fact that, in a large number of files, there is little indication that the eligibility and evaluation criteria were taken into account before funding was provided to an organization. Furthermore, in a similar proportion of files, the reasons why funding was granted or denied are not always documented in the files. The majority of the funding is provided in the form of conditional grants without, however, paying too much attention to the organization's financial risk.*

*Although the Canada-community agreements include a clause dealing with conflicts of interest and some regions have established a policy in this regard, there is little evidence in the files*

*which would enable us to give the assurance that at no time was a member of the Joint Committee in a conflict of interest with respect to an application under study when the committee recommended funding for organizations. The file review also revealed that in only 39% of cases was there evidence in the file that the officer examined the activity reports or the annual report provided by the organization at the end of the activities.*

*Finally, the audit revealed that it is essentially the same organizations that receive funding year after year and that this is the direct result of the use of the Canada-community agreements, which in most jurisdictions are signed by representatives elected from the various sectors of the community. Although the financial statements show accumulated surpluses over the years for some of these organizations, there is no documentation which demonstrates that the department's program officers and the joint committees have taken these surpluses into account when granting new funding.*

### ***Main recommendations***

*We must note that numerous steps were taken, both by headquarters and by the regions, during the last year to improve management of the program. For instance, training was provided on due diligence in all the responsibility centres, new tools were developed, changes were made to directives and procedures, a "National Review Committee" was created and more recently a management and accountability framework was developed. In its concern to improve management of the SOLCP, the Department will also have to take into account the recommendations made in this report. The main recommendations are as follows:*

- *Review the terms and conditions of the program to ensure that they are in compliance with the requirements of Treasury Board policy on transfer payments.*
- *Enhance the strategic evaluation capacity for the Program as a whole.*
- *Review the level of resources and the training needs of program personnel and upgrade competencies when necessary.*
- *Review the current operation of the accountability framework ("Program" - "Regions"), in the context of the Department's matrix approach.*
- *Review the terms of participation in the joint committees, particularly in light of the lack of independent analyses in the files.*
- *Evaluate the effectiveness and the internal and external impact of all the new measures taken and primarily those related to the funding mechanisms.*



- *Review and standardize record-keeping, and document the analysis of eligibility and of the funding recommendation.*
- *Ensure that the Treasury Board Policy on Conflict of Interest is implemented and documented for the joint committees.*
- *Ask the recipient organizations for more results-oriented reports.*
- *Develop a policy concerning financial surpluses.*
- *Base the choice of funding mechanism on an analysis of the financial and non-financial risk.*



## 1. Introduction

During its annual planning for 2000-2001, the Corporate Review Branch at Canadian Heritage identified a series of audit projects of grants and contributions programs. The Official Language Support Programs were one of the sectors identified and, more specifically, the Support for Official-Language Communities Program.

This audit was conducted in compliance with, among other things, the Treasury Board Secretariat's requirement that departments periodically report on grants and contributions and at the request of the Auditor General and of the Standing Committee on Public Accounts to exercise due diligence within an accountability framework.

The Corporate Review Branch retained the services of the firm Progestic international inc. to carry out the audit. The audit was conducted from January to March 2001.

Since the audit of this program had already been identified by the Office of the Auditor General (OAG) as one of the seven grants and contributions programs that it selected in its annual planning within the federal government, it was agreed with them at the start of the project that, insofar as possible, information would be shared in order to minimize duplication and the impact on staff of two audits conducted almost simultaneously.

After explaining the methodology used to conduct the audit, section five provides a general overview of the findings with respect to the characteristics of a well-managed grant and contribution program as described by the OAG. Section six of this report describes the essential characteristics related to the structural context of the Department. Section seven deals essentially with the analysis of the management framework and outlines the decision-making process in the context of the Canada-community agreements. Section eight presents the strengths and the areas requiring improvements identified during the file review. Section nine of the report sets out the audit conclusion and recommendations, while the management response is provided in section ten.

## 2. Objective

The objective of the audit of the management of the Support for Official-Language Communities Program (SOLCP) is to provide assurance that:

1. the grants and contributions provided comply with all relevant acts, regulations, terms and conditions and policies, and that the program is administered effectively and efficiently;
2. due diligence is exercised when funding decisions are made;
3. financial information and information on the performance of the funded activities/projects is valid and reliable;
4. the decision-making framework provides an appropriate level of transparency, accountability and risk management; and
5. all the other risks affecting attainment of the program's objectives have not been overlooked.

## 3. Audit scope

The audit dealt with all the activities of the Support for Official-Language Communities Program of Canadian Heritage (PCH), both at headquarters and in the five regions of the Department. It examined the management framework as well as a sampling of files containing information on the funding provided during the last two years, i.e. for the period from April 1, 1999, to December 31, 2000.

Although the files were selected from among the ten provinces, headquarters and the three territories, the interviews were conducted at headquarters, in Alberta and in New Brunswick, and these areas were visited during the audit.





## 4. Methodology

The audit was conducted in three stages: the preliminary review, the audit fieldwork and the drafting of the report.

**The preliminary review** involved the following activities:

1. Review of the main documents (structure and terms and conditions of the program, framework agreements, Treasury Board policies, information distributed during the training on due diligence, steps taken for program delivery, etc.) in order to acquire a basic understanding of the SOLCP. A list of the documents examined during the audit is provided in **Appendix A**.
2. Drafting of an interview guide to facilitate discussions with management of the Official Language Support Programs Branch (OLSPB).
3. Interviews with the Director General, three directors and the Manager - National Programs, and telephone conversations with the Executive Director of the Atlantic Region and the Director of the Alberta District. A list of the persons interviewed is provided in **Appendix B**.
4. Preparation and validation of a diagram illustrating the steps in the decision-making process for delivery of the program.
5. Drafting of an audit program based on the audit objectives to be used for the analysis of the management framework and the file review.
6. Selection of files to be reviewed.

**The audit** comprised mainly:

1. the review of files with reference to the audit program;
2. the collection of information on each of the files;
3. the analysis of the management framework;
4. the analysis of the information compiled during the file review; and
5. the identification of the findings.



During this stage, two visits were made to the regions in Alberta and New Brunswick to meet with the co-chairs of the joint committees (PCH and community).

The **drafting of the report** stage included compilation of the file review results, validation of the findings with management personnel of the OLSPB, and preparation of the draft and of the final report.



## 5. Summary of the findings concerning due diligence

The Auditor General of Canada has identified ten characteristics for determining whether a grant and contribution program is well managed. We have decided to go over the findings made during the analysis of the framework and the file review while using these characteristics (attributes) as a reference.

The ten attributes are as follows (N.B.: the “summaries” in italics sum up the attributes in a few words; they were drafted by the internal auditors and not by the Auditor General):

- The choice of funding instrument – grant or contribution – respects and achieves a balance among principles of accountability to Parliament, favourable cost/benefit, risk management, and reasonable treatment of program recipients. – *Choice of the appropriate funding mechanism*
- Program management at all levels can explain how recipients are expected to benefit from funding and to what end. – *Understanding of the expected benefits*
- Program officers understand who is eligible for funding, under what conditions, for what purposes, and in what amounts. – *Understanding of the terms and conditions*
- Potential applicants are aware of the program. – *Dissemination of information*
- Eligible projects make sense for the applicants to carry out (business case) and for the program to fund (program case). – *Due diligence in a value-added context*
- The most deserving projects are funded at an appropriate level. – *Appropriate level of funding for the most appropriate projects*
- Funding is used for the purposes agreed. – *Proper use of the funding*
- Problems with project and program performance are resolved quickly. – *Optimal management of program and project performance*
- Management reporting demonstrates a good knowledge of program performance. – *Good program performance reporting capability*
- Money owed to the government is collected. – *Collection of amounts owing*

- The following table provides an overview of the evaluation of the performance of the Support for Official-Language Communities Program with reference to each of these attributes. The details are provided in the following pages.

**The attributes identified by the Auditor General**

Attributes	Evaluation of positioning
1) <i>Choice of the appropriate funding mechanism</i>	--
2) <i>Understanding of the expected benefits</i>	+
3) <i>Understanding of the terms and conditions</i>	+
4) <i>Information and promotion</i>	+
5) <i>Due diligence in a value-added context</i>	+
6) <i>Appropriate level of funding for the most appropriate projects</i>	++
7) <i>Proper use of the funding</i>	+
8) <i>Optimal management of program and project performance</i>	-
9) <i>Good program performance reporting capability</i>	-
10) <i>Collection of amounts owing</i>	N/A

++	Conforms well
+	Generally conforms
-	Does not conform well
--	Does not conform



- *Choice of the appropriate funding mechanism:*

As of the date of this audit, the management of the Support for Official-Language Communities Program does not conform to this characteristic. The choice between a grant or a contribution is not considered on a systematic basis. On the contrary, grants are virtually the sole mechanism (at least for the funding governed by the Canada-community framework agreements, which represents 80% of the program's budget). However, steps were taken in January by the OLSPB to correct this situation and should be fully implemented by April 2001.

- *Understanding of the expected benefits:*

The program managers interviewed seem generally to have a good understanding of the expected benefits. In our opinion, the objectives would benefit from being reformulated, in a systematic and consistent way across the entire program in terms of the expected results according to the Auditor General's requirements. The new management and accountability framework recently developed by the OLSPB takes these requirements into account.

- *Understanding of the terms and conditions:*

The program managers interviewed seem generally to have this understanding. However, one of the requirements of the Auditor General is the existence of specific criteria guaranteeing fair and consistent treatment across the program. However, the tools for analysing applications according to the program criteria are not necessarily systematized and vary from one geographical area to another. This does not necessarily constitute a problem in terms of local fairness, but can become problematic in terms of consistency at the national level.

- *Dissemination of information:*

Some regions have established various structured initiatives which are clearly in line with this attribute. However, certain regional variations are observed. Overall, the positioning is therefore positive without being entirely optimal.

- *Due diligence in a value-added context:*

On the whole, the current management of the program generally seems to make it possible to answer the central question asked by the Auditor General on this point, namely, "does it make sense?" The review mechanisms in place at the level of the joint committees are also, in principle, capable of providing a good assessment of the merits of



an application. However, the level of analysis by the Department, both financial and impact, is not systematically evident from the review of the content of the files. Potential problems related to this question are addressed in the section dealing with the process and analyses. The creation of the National Review Committee on grants and contributions in December 2000 is one of the mechanisms adopted by the OLSPB to ensure that the analyses are conducted.

- *Appropriate level of funding for the most appropriate projects:*

The process of the Canada-community agreements, which require that the communities themselves take responsibility, increases the probability that the projects funded are those most in keeping with the concrete needs of these communities. In addition, certain mechanisms reinforce this probability. Thus, for example the review of all of the files – or at least “batches” - by the joint committees permits not only an assessment of the intrinsic value added of the applications, but also an evaluation of their relative value. Another positive (although not universal) mechanism is the presence on certain joint committees of “sages” who are not affiliated directly with either PCH or recipient community organizations. These members can therefore provide a viewpoint that is not only informed but, more importantly, impartial and creative.

- *Proper use of the funding:*

The granting of funding normally entails, for the various payments, the submission of various financial and/or activity reports by the recipient. These reports are analysed not only by the program officers, but are also submitted (this is the case for the financial reports) to the Financial Management Branch for review. At headquarters, a bring-forward (BF) system also exists which makes it possible to follow up with any organizations that do not submit the required reports in a timely manner. In addition, the procedures for compliance with the Financial Administration Act are in place. However, the analyses do not appear to be systematically documented in all files. The virtually exclusive use of grants limits the type and scope of the information and documentation that managers can require from recipients. The new measures adopted by the OLSPB (e.g. National Review Committee as well as the more frequent use of contributions) should correct the situation.

- *Optimal management of program and project performance:*

The Auditor General’s view in this area is that any performance-related problem should be resolved quickly. While there is indeed a form of follow-up for projects, the deficiencies observed in terms of evaluation of program performance do not enable us to



state that the requirements of this attribute are met. Furthermore, the current reliance on grants rather than contributions limits the ability of managers to audit recipients' projects. We must also point out the issue of coding inconsistencies in the Grants and Contributions Information Management System (GCIMS). Here again, more frequent use of contributions should increase the ability of managers to conduct audits of recipients and to require results-oriented reports.

- *Good program performance reporting capability:*

In general, the program does not have an optimal overall evaluation capacity. This issue is addressed in detail in the section dealing with the management framework. However, we must note that the OLSPB has drawn up a five-year evaluation and audit plan which should enable it to increase this capacity. In addition, it is currently working on the establishment of a results-oriented management and accountability framework for the SOLCP which will facilitate its ability to report on program performance.

- *Collection of amounts owing:*

Given the intensive reliance on grants and, therefore, the small proportion of cases in which the Department must collect amounts owing, it is not really possible to draw relevant observations. With the more frequent use of contributions, the Department will be better equipped to recover surpluses.

## 6. Structural context of PCH

Before beginning the description of the management framework per se, it is important to take into account three essential characteristics related to the structural context of PCH.



These characteristics are specific to the Department and therefore transcend the Support for Official-Language Communities Program. It is not the place of the auditors, in the context of this mandate, to call these characteristics into question. However, they have a direct impact on the management of the entire program. It is therefore imperative to take them into account.

- First of all, it should be noted that the management framework cannot be analysed without considering the existing organizational structure. At PCH, the approach in place is a **matrix** and functional **approach** in which the regional operations (i.e. delivery in the field) do not report directly to the program managers located at headquarters, but rather to the Assistant Deputy Minister, Strategic Policy. The program managers, such as those in charge of the Official-Language Support Program, therefore do not have direct hierarchical control over the resources involved in delivery in the regions. (In fact, in terms of delivery, headquarters is responsible only for delivery of projects/activities that are “national” in scope.)

The distinctive feature of the model recently (re-)instituted at PCH resides in the use of the concept of “portfolio officer,” whereby one of the regional executive directors acts as “champion” of a particular program for all of the regions. However, this is also not a function involving direct operational links with regional colleagues, but rather a role of coordinator and spokesperson.

It is not a case here of calling into question the relevance of the model – which moreover reflects certain realities and operational constraints (e.g., critical mass, economies of scale). However, we must realize that, from a governance standpoint, the matrix approach, although it can prove to be effective in certain cases, is the one which often poses the greatest challenges in terms of complexity of management and tends, in most cases, to make the *accountability* framework rather vague. In particular, in terms of *operational* accountability, the existing approach is likely to make the accountability framework more complex and more diffuse. The units responsible for the “development” and “management” of programs are not responsible for their delivery. Conversely, the regional units accountable for delivery are not directly accountable for development and management. Such an approach requires the establishment of a clear and effective accountability framework as well as a significant investment in terms of the coordination mechanisms. This reality must be kept in mind in the analysis of the management framework per se.

Moreover, the “management” of the Support for Official-Language Communities Program is not the exclusive concern of the Official Language Support Programs Branch and of the regions. Other branches of PCH (for example, the Financial Management Branch) provide direct support and contribute, at various steps in the process, to the





management of the program (e.g.: provision of specific skills, opinion, additional analyses, etc.).

- Again from a structural standpoint, the Support for Official-Language Communities Program is only **one** of the official language **programs** delivered by the Department. It is administered by the Official Language Support Programs Branch in the National Capital Region (NCR) and by the regional offices in the regions. All of these structural entities have a mandate which encompasses considerably more than the administration of the Support for Official-Language Communities Program alone.
- Finally, another structural characteristic which impacts the framework is the *de facto* **lack of delegation** between the Minister and the Department with respect to approval of funding. All funding approval decisions must be taken by the Minister, for virtually all the Department's programs. In practice, the Department limits itself to making recommendations to its Minister. It must therefore ensure that these recommendations are relevant and reliable.



## 7. Management framework

This section differs in its presentation from the section on the file review. It describes first of all, in an analytical way, each of the elements of the management framework, while highlighting the findings of the analysis.

### 7.1 Definition

For the purposes of this exercise, “*management framework*” means all of the structural and systemic mechanisms (including the analysis and management processes and tools) instituted to support decision-making aimed at the attainment of the stated objectives.

This management framework must therefore normally comprise, among other things, components related to *planning, delivery, decision-making concerning the granting of funding, the allocation of mandates and resources, monitoring and control, evaluation of results, accountability*, not only to improve the organization’s performance in the attainment of the anticipated results, but also to appropriately manage the concept of risk.

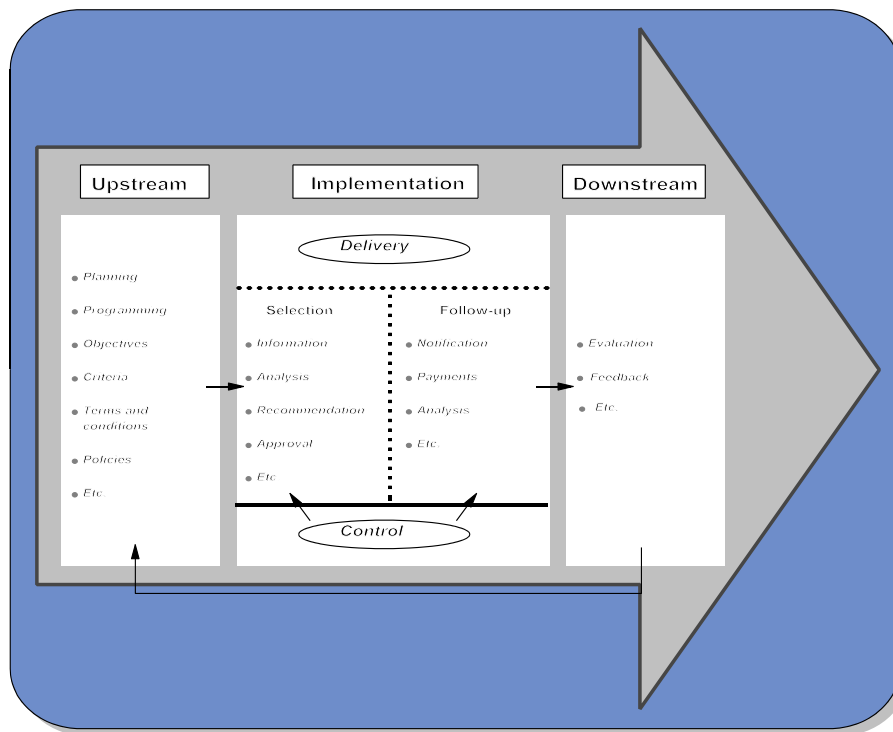
We must consider the existence of an effective management framework a necessary condition for sound and effective management. Such a framework provides guidance and direction and impacts day-to-day management actions (in a broad sense), since it provides tangible reference points. The lack of such a framework makes a systemic and systematic approach problematic and increases the disparity of day-to-day management actions. This disparity will undoubtedly be reflected in, among other things, record-keeping. However, the existence of an effective management framework is not a sufficient condition in itself. This framework must be shared, understood in the same way by all stakeholders and used appropriately. This is therefore where the human factor and the realities of day-to-day management come into play.

### 7.2 Concept of operational chain

For the purposes of the description of the management framework in place at PCH, it is useful to consider the concept of “operational chain,” which makes it possible to distinguish the various functions carried out by an organization and to organize them in a logical way.

If we consider “implementation” as the central element of the activities, a certain number of functions are located *upstream* (e.g., planning, programming, establishment of criteria, etc.) and others normally *downstream* (e.g., evaluation). In the next section of this document, the management framework will be commented on from the standpoint of this concept, particularly by distinguishing among the upstream, the implementation and the downstream functions. The following diagram provides a visual representation of the concept of the operational chain.

***The operational chain: a concept***



**7.3 Description and analysis**

The management framework must be observed and described at a specific moment in time. This is somewhat like a photograph taken at a particular moment, in this instance, at the beginning of 2001. Although this approach is unavoidable, it limits our ability to take into account the dynamic nature of the management framework which, if it is to retain its relevance, must be constantly changing.

Due to a particular combination of circumstances, this analysis is taking place at a somewhat unusual time. For various reasons, the program managers are in the process of conducting an extensive review of how they operate and are establishing (or, in some cases, preparing to establish) a new *management and accountability framework for Official Language Support*

*Programs*, new tools, systems and procedures to enhance the effectiveness of program management.

Since the aim of the exercise is to describe, in an objective way, the management framework as it is today, it cannot, in its descriptive portion at least, take into account what it could eventually become if this or that reform is instituted. The descriptive portion will therefore be limited to the framework as we can observe it today. However, the comments and recommendations will take the reform proposals into account as they were presented to us.

#### A) *THE UPSTREAM ELEMENTS*

The three upstream elements analysed are **planning**, the definition of **objectives** and the **regulatory frameworks**.

##### *i) Planning*

- First of all, in light of the very operational nature of the Support for Official-Language Communities Program, we will consider the **planning** function only briefly. This function exists at the program level. However, it is – and this is normal – influenced by the Department’s corporate strategic planning initiatives. A type of “monitoring” is exercised, which aims to identify certain emerging trends and issues and to determine the potential concrete implications for operations.

However, the planning function at the program level appears to be limited by the deficiencies of the evaluation function (which is described later in this document). It is generally observed—given the systemic nature of the operational chain, in which the “last” step, evaluation, is in reality, through a feedback effect, the step which forms the basis of strategic reflection and planning—that any significant deficiency in terms of evaluation (e.g., lessons learned, evaluation of performance, assessment of the impact and of the value added) undermines an organization’s ability to plan.

##### *ii) Objectives*

- The **objective** of the Support for Official-Language Communities Program is to increase the ability of minority official-language communities to live in their own language and in their community as strong, vibrant and healthy communities and to participate fully in all sectors of Canadian society.



Five (5) sub-objectives are identified:

- To raise the awareness of Canadian institutions through activities aimed at securing legislative, political or administrative recognition of the linguistic rights of the communities in various sectors of activity - *Representation*.
- To facilitate the development of institutions specific to the communities that provide services important for enhancing their vitality - *Institutionalization*.
- To facilitate the establishment, improvement and delivery of direct services to the communities in their language in various sectors of activity when these services are not otherwise available - *Delivery of services*.
- To facilitate the mobilization, solidarity and promotion of the communities in order to reinforce their sense of unity and belonging and their capacity for collective action - *Mobilization and participation*.
- To facilitate the training and skills development of the volunteers and employees of the organizations in order to enhance the effectiveness of their efforts and improve their ability to serve the community that they represent - *Development of human resources*.
- These objectives are very much in keeping with the provisions of the Official Languages Act (Part VII – sections 41 to 45).
- The existence of broad and general objectives enables PCH to be attentive to the priorities of the communities and to be flexible in its actions. From a development standpoint, this approach can represent value added. From a management standpoint, maintaining efforts at this level presents various challenges and risks, particularly in terms of *jurisdiction, eligibility/evaluation criteria* and *overall evaluation of the results*.

In terms of jurisdiction, the use of objectives which are interpreted too “generously” could, in the “social” services sector, be perceived as an infringement on provincial jurisdiction.

Such general objectives make it more difficult to adopt specific and standardized eligibility/evaluation **criteria** for funding applications. In a context of considerable



regional autonomy in operations, contractual arrangements (framework agreements) that vary from one jurisdiction to another and a lack – at the time of this audit – of standardized reference tools, such a situation does not facilitate a systematized approach which assures every potential recipient that its file will be processed in the same way as that of any other applicant, regardless of where it is located in Canada. As an illustration, according to the documents and/or new tools examined, the eligibility criteria as well as the documentation required to support the funding application (both in terms of the number and the nature of the requirements) vary from province to province. The same is true for the application evaluation criteria. Of course, these criteria are not all

diametrically opposed and are based on similar principles. However, their nuances or respective levels of detail can lead to different interpretations from one region of the country to another.

(N.B.: This comment relates solely to the “systematization” aspect. This does not necessarily mean that the system suffers from a deficiency in terms of effectiveness or fairness).

Such general objectives do not facilitate an overall evaluation of the **results**, the **impact** and the **value added** of a program according to objective and easily measurable indicators.

*iii) The regulatory policy framework (TBS)*

- The **terms and conditions** and **regulatory frameworks** specific to the Support for Official-Language Communities Program date back several years and no longer necessarily reflect the structure of the programs as it exists today, or the new approach represented by the Canada-community agreements.

The terms and conditions which are currently still in effect at PCH were analysed with respect to the TB policies on transfer payments (June 2000 and January 1997) to identify the terms and conditions for the SOLCP and to determine whether they met the requirements of the current policy. The analysis demonstrates that the terms and conditions need to be updated.

*B) THE IMPLEMENTATION ELEMENTS*



The three implementation elements analysed are the **framework agreements**, the **decision-making process** connected with these agreements and the **mechanisms related to the national funds**.

*i) The framework agreements: Canada-community agreements*

- From a “budgetary” standpoint, the Support for Official-Language Communities Program is based on two components. First of all, a component administered on the basis of contractual framework agreements: **Canada-community agreements**. This component represents \$27.5 million, or 80% of the program budget. The second generic component is composed of national discretionary funds (the **National Development Funds** and the **Strategic Initiative Measures**) which represent approximately \$6.7 million, or 20% of the program.<sup>1</sup>

In light of the scope – both budgetary and operational – of the “Canada-community agreements” component, it is on this component that we will initially concentrate. The second component will be examined later.

Canada-community agreements component

- There is a specific agreement for each provincial and territorial jurisdiction, as well as an agreement at the national level. As a result, there are 14 different agreements that exist today, from which more than 350 organizations derive a portion of their funding. Currently, we are dealing with the second generation of these agreements. The first generation covered the 1994-99 period. The current generation covers the 1999-2004 period.

Although all these agreements follow a common general model – whose main characteristics include a contractual model, a five-year time horizon, a predetermined level of financial commitment and the establishment of a joint committee – the terms and conditions of implementation can vary significantly from one agreement to another. These terms and conditions include the type of signatories to the agreement (umbrella organization vs. a number of community organizations), the composition of the joint committees, the operation of these committees and the level of *de facto* “delegation” from the Department to these committees in terms of management of the decision-making process concerning the granting of funding.

- A notable feature of the type of funding provided by these agreements is that the majority of the funds are allocated for programming purposes (i.e. funding of the continuity of the

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<sup>1</sup>According to the figures stated in the 1999-2000 Annual Report of Official Languages.



organizations subject to the condition of offering programming in keeping with the priorities of the Department and the community). The funding of specific projects represents only a small part of the funds. The ratio of “programming” budget funding to “projects” budget funding is generally 3 to 1 or even 4 to 1. This situation is a reflection of the contractual agreements (which usually stipulate a minimum threshold for the funding of projects, a threshold which the organizations have little incentive to exceed) and, in the view of some, may appear to be justified in light of the nature and objectives of the program. Without taking sides, we must however recognize, at the very least, that this trend is the exact opposite of what is generally observed elsewhere in the federal government. Furthermore, in the day-to-day reality, it would appear, according to the information gathered, that meeting the minimum threshold budgeted for the funding of projects requires serious “efforts” on the part of the communities.

- Evaluating the relevance and effectiveness of the mechanism of the Canada-community agreements is clearly not part of this mandate. This would require a separate study. Neither the time horizon, nor the resources specific to this mandate, nor the fact that the current generation of agreements have been in existence for a relatively short period of time enable us to provide a definite opinion. However, it is clear that these agreements have significant implications for the nature of the management framework. It is from this perspective, and this perspective only, that we will therefore make certain observations.
- The principles on which the Canada-community agreements are based include laudable objectives, in particular:
  - increased responsibility of the communities in terms of identifying the key priorities in which it is necessary to invest in order to safeguard and consolidate the development of the communities;
  - increased sensitivity to the realities, aspirations and needs of the communities;
  - a more focused and relevant use of the resources made available to the communities; greater co-ordination and consistency of the actions taken by the various parties at the local level;
  - obtaining, *de facto*, a form of moral sanction for the Department’s funding decisions.

However, these mechanisms can result in certain risks, such as:

- the possible emergence of certain barriers limiting the expansion of the current circle of recipients. The members of the community could, in fact, take a dim view - implicitly or explicitly - of the arrival of new entrants who might eventually reduce their current share of funding.





- the possibility, despite the measures taken, of conflicts of interests where the potential recipients might, directly or indirectly, find themselves acting as both judge and judged.

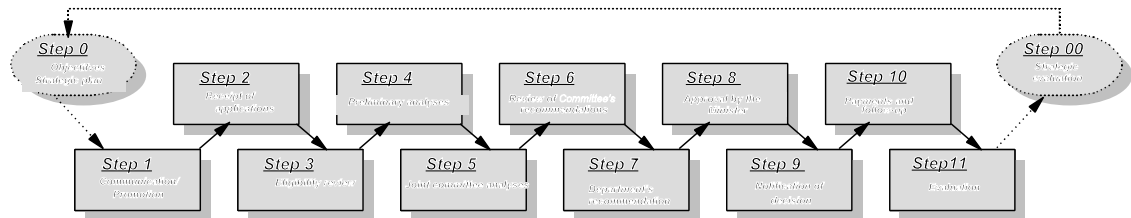
At this stage, the very principle of these agreements – the quest for an enhanced partnership with the stakeholders in the community – has an impact on the management framework but does not, in itself, create any particular and truly worrisome areas of dysfunction. While this is true for the principles of the agreements, their administration does pose certain challenges. This finding is the subject of the following section.



ii) *The decision-making process in the context of the Canada-community agreements*

- Schematically, the decision-making process can be represented in eleven steps. The diagram below provides an overview. The various steps are presented in a more detailed manner in the following pages.

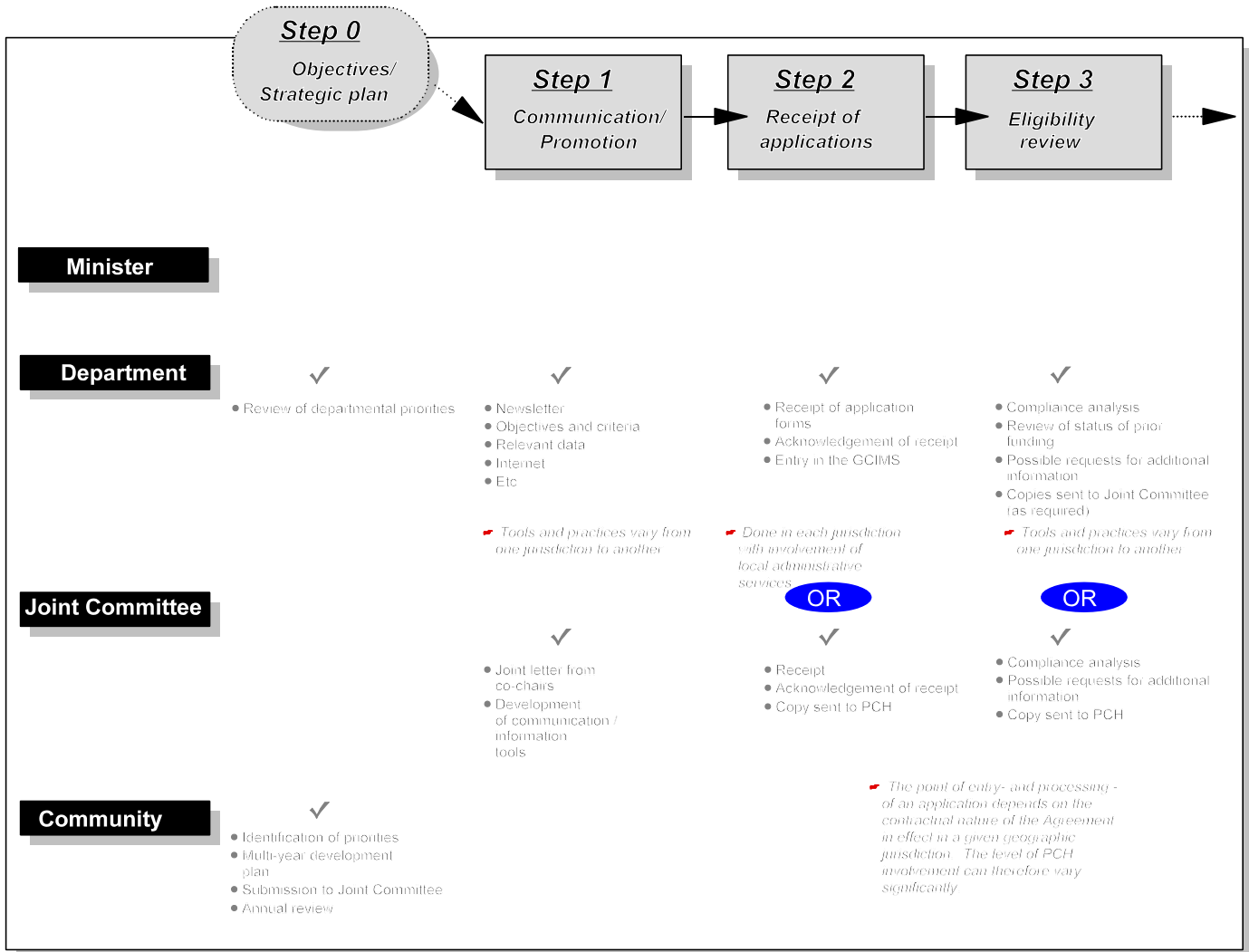
***The process: an overview***



	S0	S1	S2	S3	S4	S5	S6	S7	S8	S9	S10	S11	S00
Minister									✓	✓			
Department	✓	✓	✓	✓	✓		✓	✓		✓	✓	✓	✓
Joint Committee		✓	OR	OR		✓				(✓)			
Community	✓				✓					★			

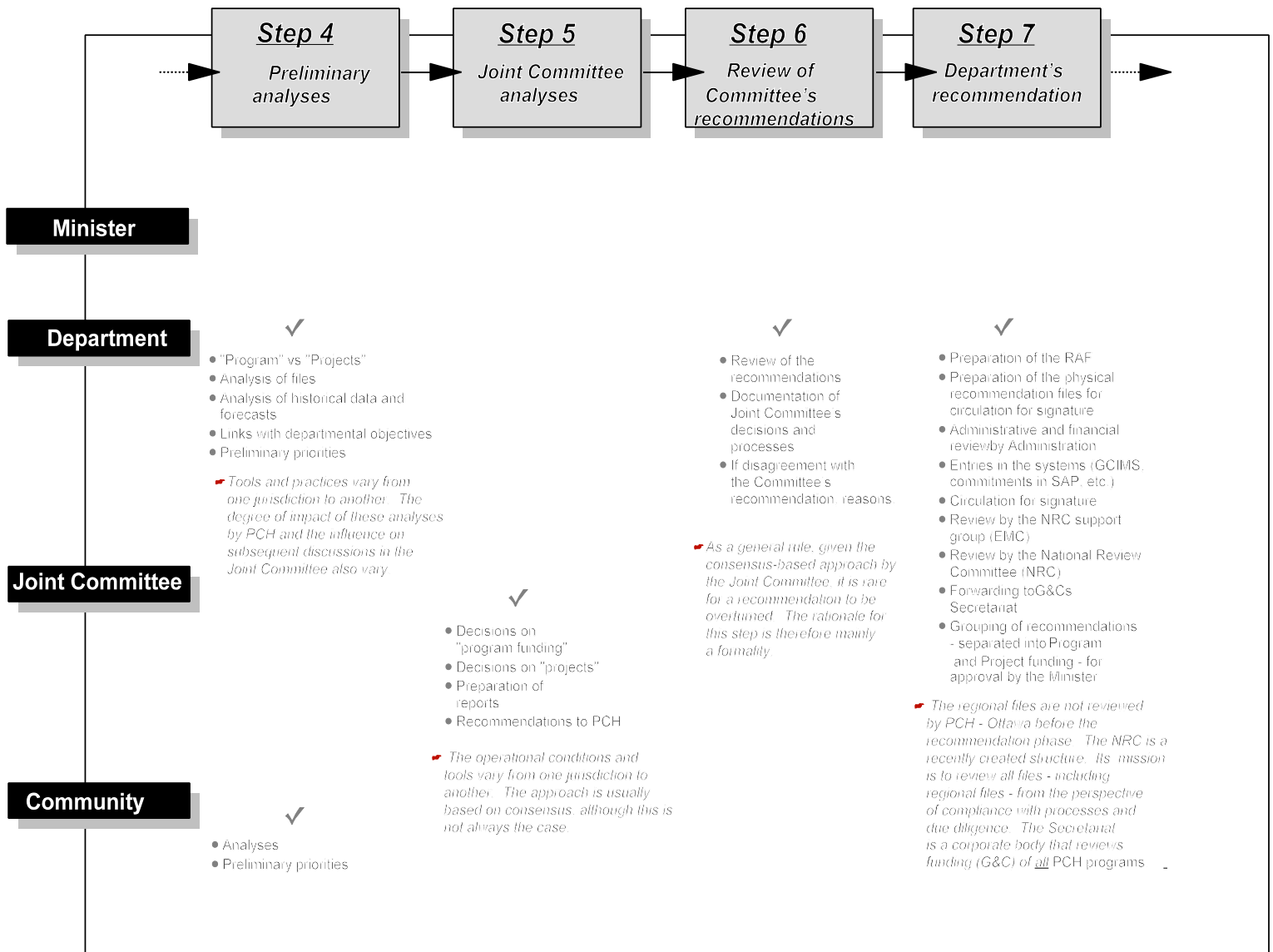


### The process: a detailed view





### The process: a detailed view

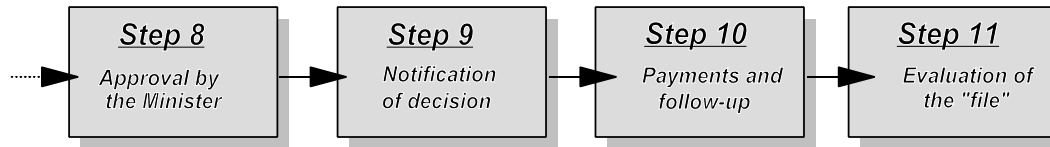




## The process: a detailed view

### Step 00

Strategic evaluation



#### Minister

- ✓ "Approval by the Minister"
- ✗ *The Minister must formally approve all SOLCP funding files before funding is granted. For the SOLCP, there is no delegation to PCH of this authority.*

#### Department

- ✓ Letter signed by the Minister, in support of the funding (identifying documents to be provided later)
- ✗ *Letter prepared by PCH*
- ✓ Follow-up letter from the Department
- Entry in the bring-forward (BF) system
- ✗ *For regional files, the letters and associated administrative management are handled in the respective jurisdictions*

OR

- ✓ Sometimes follow-up letter sent by the Joint Committee

- ✓ Follow-up on documents: reports to be submitted
- Financial review and compliance with the Financial Administration Act
- Preparation of APF forms
- Entry and coding in the management systems
- Issuing of first cheque
- Receipt and analysis of financial or activity reports
- Issuing of subsequent cheques

- ✓ Request to recipient for a final report (as per the Minister's letter set out in step 9)
- Receipt of annual activity reports and analysis
- Reminder letters if necessary
- Examination of financial statements by Financial Services
- Possibly collection of overpayments
- Entries and closing in management systems
- Closing of the file

- ✓ Evaluation of the framework of the Agreements
- Evaluation of the impact and added value of the program
- ✗ *There are various evaluations of the framework of the Agreements (from a general and regional perspective). In terms of the strategic evaluation of the program, the tools are not currently appropriate.*

#### Joint Committee

#### Community

- ★ Possibility of appeal



- This process calls for various general comments concerning the *process, tools* and *financial mechanisms*.

### Process

- First of all, in terms of the *process* itself, we can note that the level of delegation from the Department to the communities – via the joint committees – varies significantly. In some cases, as in British Columbia for example, the applications are received not by PCH but by the secretariat of the joint committee, which even conducts the preliminary eligibility review.

Moreover, we observe that the existing model is one in which PCH is not content to play a role of observer or advisor, or even to sit on the joint committees, but co-chairs these committees.

However, PCH does not really have decision-making power on the joint committees, but rather a role of influence (increased *de facto* by the fact that it is one of the most important providers of funds for the communities). In most cases, PCH managers, in particular the co-chairs and members of the joint committees, endeavour to ensure that the Department exercises significant influence in committee discussions and strive to maintain a consensus approach, despite the fact that the Department does not hold a majority position in terms of representation on the committees. Theoretically, PCH representatives could find themselves in a minority situation in the event of a formal vote. However, the joint committees do not have the power to formally decide on the granting of funding (they make recommendations to the Department, which itself will make recommendations to the Minister). Once the joint committee's recommendation is known, the Department therefore has the possibility of "overturning" it by submitting an opposing recommendation to the Minister.

We cannot state that the current process actually creates major problems or has resulted in serious crises in the recent past. However, the *combination* of the factors described above (i.e. PCH's co-chairmanship of bodies in which the Department has a minority position, which technically make recommendations to the Department, which the Department has the power to overturn) is likely to increase the level of risk, particularly in light of the fact that the SOLCP does not appear to be able to systematically document its independent analyses.



Indeed, the file review does not always allow us to identify the analyses which should be specific to the Department, while as a general rule these analyses should constitute an essential element of the process. However, it is difficult to determine whether these

analyses do not exist (which would indicate that the officers concerned rely more on the analyses conducted in the joint committee) or whether they are simply not documented explicitly and systematically in the file, which could prove problematic in cases where justifications must be provided subsequently or knowledge of a file must be transferred from one officer to another.

If care is not taken in these circumstances, the potential of deviations from acceptable practice is high, particularly in the following areas:

- Although the Department does have the option of overturning a decision of the joint committee, in practice its ability to exercise this option is seriously limited by the fact that PCH not only sits on, but co-chairs, the committee (as opposed to playing a role of observer or advisor). In the absence of new facts or prior opposition explicitly documented, it appears to be “politically” difficult for the Department to go back on a decision that it has endorsed. This would not only run counter to the very principle of the agreements, but would also run counter to the concept of moral sanction sought by the Department, which could be perceived as being attentive to the needs of the community only when this is convenient. In this context, the independence and reliability of the analyses conducted by the Department before the file review by the joint committee are crucial and could enhance the credibility of the Department. However, these analyses are generally not documented.
- Furthermore, there is a genuine risk, increased by the very nature of the agreements and the spirit of consensus which seems to govern their management, that the Department may ultimately be tempted to rely on the analyses conducted by the joint committee since in the final analysis, the community is in the best position to know its needs and has the best understanding of the realities on the ground. However, while it is normal that the priorities of the Department and of the communities *converge*, it is unlikely that they *coincide* perfectly in all respects. This eventuality could, if it is not seriously considered, create various problems, particularly with respect to:
  - **the independence and the attainment of the specific objectives and priorities** of the Department (this is particularly true in a context where



objectives are defined fairly broadly rather than specifically, which makes it possible to “rationalize” numerous initiatives after the fact);

- **transparency** – particularly in a *modus operandi* where the Department could be perceived as both judge and judged;
  
- **fairness** at the national level (and this is particularly true here also, given analysis criteria that are not systematized and are based on objectives defined fairly broadly rather than specifically).

Finally, there is a significant risk in terms of overall **accountability** of the Department. Indeed, while it may be conceivable that a certain form of delegation may ultimately provide a certain value added in terms of effectiveness, or even efficiency, it is imperative to bear in mind that the delegation of certain *functions* is not accompanied by a transfer of *responsibility* and *accountability*. The mechanism of the agreements does not relieve the Minister of her role of approving funding. Consequently, this mechanism does not relieve the Department of its responsibility to appropriately advise the Minister and, therefore, to formulate reliable, informed and objective recommendations. This consideration also reinforces the need for independence and for analyses specific to the Department.

In light of these risks, particular attention must therefore be paid to the quality and documentation of the analyses – financial and impact – and therefore to their supervision and control; to their validation by resources not directly involved in the process; to the performance and standardization of the tools used; to the ability – and to the training that may be necessary – of the officers responsible for these analyses and to the explicit documentation of these analyses. These are all various elements whose existence could not be established during the audit exercise.

### Tools

- A second type of general comments concerns the management and analysis **tools** used by the Department during the process. These comments are at various levels.

First of all, these tools vary significantly, in both form and substance, from one jurisdiction (geographical area) to another. Some regions are more advanced than others. These tools are commonly developed in each jurisdiction according to their own needs and understanding. The *binders*, *reference manuals*, *analysis checklists* and other *evaluation tools* are not uniform. There is therefore no systematization of the tools at the





national level. Locally, this situation does not appear to cause major crises or dysfunctions. However, at the national level, it makes it impossible to guarantee that all potential applicants are treated fairly both in terms of the reality and appearance of the process and from the standpoint of due diligence.

The Advisory Committee on the Improvement of Managerial Practices established by the OLSPB is a step in the right direction. The committee's activities include the development of a management and accountability framework, the definition of roles and responsibilities, reference manuals for officers and managers, tools and checklists for evaluation and

ana  
lysis of files and management tools – particularly in the context of due diligence, as well as the delegation chart for all regions of the country. It should be noted that the regions are represented on this committee by the champion/portfolio officer responsible for official languages. However, as discussed earlier, this person acts more as a coordinator and has no real authority, which can limit his impact.

In addition, the risks associated with this heterogeneity of tools are increased by the matrix nature of the Department's structure and the fact that local files are not forwarded to headquarters before the recommendation step. In itself, this approach makes it possible to avoid an overly centralized and bureaucratic mode of operation. However, in these circumstances, the matrix approach and the resulting accountability framework do not make it possible to truly guarantee, throughout the process, that applications are processed in a comparable way, ensuring fair and consistent treatment across the country.

In this regard, the establishment by the OLSPB of the National Review Committee (NRC) can only be beneficial. This committee has the mandate, among other things, to ensure integrated delivery of Official Language Support Programs and their consistent interpretation throughout the Department by reviewing the recommendations proposed in the reports of the joint committees established under the agreements. More specifically, the committee must formulate recommendations concerning the design, selection, approval process and follow-up of the activities and projects funded by grants and contributions. The committee can also formulate recommendations concerning the allocation of resources in order to assist the branch in attaining its objectives and priorities. The committee is composed of three members (Director General, OLSP; Director General, Corporate Review; and Regional Executive Director, Atlantic Region – as portfolio officer/champion of the official languages programs) and is itself assisted by a support group composed of a representative of Programs, Finance and Corporate Review.

It is obviously too early to make a judgement on the effectiveness of the committee, an entirely new mechanism (winter 2000). The rationale for its existence is positive. In terms of its composition and operation, however, questions should perhaps be raised about the

presence on this committee of members who are significantly involved in the upstream steps. We should therefore be attentive to the prospect that the Department may be perceived as being in a conflict of interest position. Various practices (such as members abstaining during the review of files for which they were responsible or expansion of the committee) could reinforce the committee's real and perceived impact.

Moreover, the tools, practices and procedures are not necessarily documented in a systematic way but are currently passed on instead through "on-the-job training," by working on concrete cases with more experienced officers. Although the managers are aware of the problem and are in the process of remedying it, the fact remains that this

situation limits the ability to develop a genuine corporate memory and makes the entire process dependent on individuals rather than on systems (in this regard, a context of fairly high employee turnover and the arrival of large numbers of new officers – which, according to the comments obtained, is currently the case – makes the organization even more vulnerable). This situation limits the transfer of knowledge and the learning of the new arrivals. Finally, the practice of oral transmission reinforces the heterogenization of practices.

Finally, it should be noted that all of these comments deal with the tools used by the Department. It would certainly be advantageous to systematize – even reinforce – the analysis and evaluation tools used by the joint committees.

#### Financial mechanisms

- The third type of general comment deals with the choice of **financial mechanism**. As discussed earlier, one of the characteristics of the program, at least the component supported by the Canada-community agreements, which is the component that we are examining in this section, is composed primarily of program rather than project funding. Another characteristic of this program is that it uses grants rather than contributions almost exclusively.

Contributions are currently used only in somewhat isolated cases where the viability or even the management capability of the applicant organization poses a problem. The traditional mode of funding is the grant. Indeed, this funding method involves less red tape for recipient organizations, particularly those that have limited resources. These grants are somewhat different at PCH, however, since most of the associated payments are subject to various conditions, such as the submission of financial and/or activity reports. Hence the concept of "conditional grant."

In this regard, it should be noted that this approach of relying on grants is the opposite of what is generally observed elsewhere in the Public Service and is not really consistent



either with Treasury Board policies or with the risk determination characteristics identified by the Office of the Auditor General. The current workloads of the officers and the in-depth “knowledge” of the organizations, with which the Department has in most cases been doing business for many years, may be factors in explaining this situation which we should take into account. They cannot, however, be cited as a valid reason for a less disciplined approach to this issue.

The program managers are aware of the situation and are in the process of developing various new policies in order to rely more on funding by contribution (e.g., funding of \$25,000 or more, nature of the application). We cannot comment any further on this initiative since it will not be operational until the 2001-2002 fiscal year. This is obviously

an area that requires special attention. Finally, it should be noted that it is clear that such a change (i.e. toward a funding method composed of contributions in approximately 60% of cases) does not necessarily constitute an optimal response to the current situation if the decision is not supported by a risk analysis.

Moreover, it is clear that this change in funding arrangements will have major operational and administrative repercussions (e.g., new analysis and follow-up mechanisms, massive introduction of contractual contribution agreements, revamped record-keeping, increased workloads for the officers) that needs to be recognized now. Furthermore, it is probable that such a review of the funding mechanisms will provoke certain reactions within the communities. This also poses a major challenge in terms of management and communication.

A recommendation concerning the financial mechanisms is presented in Section Nine of the report.

National Funds component (Development Funds, Strategic Initiative Measures and Community Radio)

- These mechanisms are intended for projects whose nature (e.g., infrastructure, initiatives with nationwide impact) or scope (in terms of financial resources required) do not lend themselves easily to funding by the Canada-community agreements mechanism. For example, the Community Radio Program or initiatives involving the creation of performance spaces or community centres are funded by this type of mechanism.
- The procedures associated with these support mechanisms are, at the time of this audit, much more flexible than those existing in the management framework of the Canada-community agreements. The organizations concerned are aware that the Department has such funds. Representations of various kinds are therefore made (e.g., organizations directly, joint



committees, regional offices) and at various levels (e.g., officers, managers, executives, Minister). In some cases, the Department may be proactive and solicit submissions in certain specific areas of activity.

- The requests are analysed by the program managers, in various forums (e.g.: management committee, committee of chiefs, etc.) according to criteria and an approach that at present is not really structured. These criteria take into account factors including the impact of the project, the priorities of the Department, the funds available, commitments and a certain regional balance. The processing time can vary significantly from one file to another.
- The SOLCP managers are currently studying concrete ways of more effectively structuring the procedures associated with these funding mechanisms. Even though by their nature these mechanisms must remain fairly flexible, it is indispensable that they be given a management framework compatible with due diligence and the principles of a well-managed program set out by the Auditor General.

### *C) The downstream ELEMENTS*

For the purposes of this analysis, the downstream elements essentially consist of the **strategic evaluation** function.

#### *Evaluation*

- At present, the **evaluation** function appears to concentrate more on an “individual” type of analysis of the results, file by file, or even on follow-up and a limited analysis of the documents (activity and/or financial reports) required before payments are made, rather than on a more comprehensive evaluation of the impact and therefore the value added of the program as a whole. This situation may be the result of various factors. These include the lack of objective criteria accepted by all the stakeholders. In this regard, we must recall an observation made earlier concerning the generality of the program objectives. Such objectives do not facilitate either the adoption of specific criteria for the analysis and evaluation of funding applications, nor *a fortiori* the adoption of specific and significant criteria for overall evaluation.

By instituting overall evaluation mechanisms, the program would be better able to increase the scope of the planning function and strategic reflection in terms of the lessons learned. It will, moreover, be better equipped to factually demonstrate its overall impact and therefore its relevance.

The development of performance frameworks for the program as a whole – a task in which the managers are currently engaged – and the development of a five-year evaluation and



audit plan are elements of what should constitute a major review of the overall evaluation capabilities.

Moreover, the review highlighted the fact that the GCIMS presents certain deficiencies, for example in terms of coding, which make it more difficult to use as a statistical database. The difficulties are due to the fact that the regions do not code “project funding” uniformly, which is sometimes found under the heading of *Development Funds* and sometimes under the heading of *Program Funds*. It should be noted that the Corporate Review Branch is currently conducting a separate study of the GCIMS and that the results of this study will be the subject of a separate report.



## 8. File review

### 8.1 Selection

The Corporate Review Branch (CRB) had set as its objective the review of 40 grants and contributions files that received funding in 1999-2000 and 40 in 2000-2001, for a total of 80 funding files. Since the project was to be carried out in collaboration with the Office of the Auditor General (OAG), the OAG selected 20 of the files examined under the direction of the CRB for each fiscal year.

While the approach adopted by the OAG for the selection of files was based mainly on risk, the CRB's approach was based on two criteria: geographical representativeness and risk (monetary value of the funding).

The OAG's sampling was made from a computer file taken from PCH's GCIMS database for funding provided in 2000-2001. Using a computerized tool and a sampling method based on the monetary value of the funding, they chose files having a total value (amount approved) of \$5.6 million, out of a population of approximately 675 files having a total value of \$27.4 million.

The second sample of 20 files was chosen manually by the Corporate Review Branch from the same computer file. The purpose of this selection was to ensure a geographical distribution over all of the responsibility centres (provinces, territories and national) and to include the four components of the funding program, as a proportion of the value of funding for each category. The total value of the files chosen was \$2.012 million.

The audit program used for the review of grants and contributions files was based on the major audit objectives. This program made it possible to determine, among other things:

- the compliance of the files with acts, regulations, policies, eligibility criteria and applicable procedures,
- the attainment of the objectives,
- the exercise of due diligence,
- adherence to the principles of ethics and risk control.

### 8.2 Strengths of the process

The goal of the audit of the SOLCP was not only to identify the areas requiring improvements, but was at the same time an excellent opportunity to assess its strengths. The review of such a large number of files and the compilation of a great quantity of information enabled the auditors to identify the strengths of the process.



**Appropriate form** - The application form, when used, and the accompanying guide are good tools which facilitate the preparation of the applications and ensure the uniformity of the data from one region of the Department to another. The basic information on the organizations is uniform, as well as the conditions and declaration sections. However, the *Budget* section is the subject of a separate observation.

**Proposed activities are in keeping with the objectives of the agreements** - Although the objectives set out in the Canada-community agreements are broad and general, in the majority of the applications, the organizations take these objectives into account when they describe the proposed activities and the anticipated results. In addition, in the responsibility centres where an analysis table or checklists are prepared for the committee responsible for recommending funding, the officer responsible for the file generally takes these objectives into account in his/her analysis of the applications.

**Planned use of the funding is properly documented** - The organizations almost always provide details with the applications concerning the type of expenditures that they plan to make with the funding. They also indicate the total budget requested relative to the total cost of the activities. In addition, in the majority of cases, the information required with the applications, such as the action plan, other sources of income and the detailed budget, are provided with the applications.



**Compliance of the payment process** - Generally, all aspects relating to the payments made to recipients are in compliance with the *Financial Administration Act* (FAA). In the majority of cases, the originals of the APF forms are in the files and are signed in accordance with sections 32 and 34 of the FAA by the authorized persons, and the number of payments relative to the amount of funding is consistent with TB policies/terms and conditions of the program. The letter authorizing the funding is almost always in the file, dated and signed by the Minister.

**Information requested is received** - In general, the information or documents required in the letter from the Minister, when the Department awards funding, are received within the prescribed timeframe or when available. Since the organizations want to receive the final payment or future funding, the Department does not have to insist further to obtain the annual report or in certain cases the activity report relating to the funding. The audited financial statements are also received, but not always within the prescribed timeframe. Concerning the management letter required for certain types of funding, the file review demonstrated that in many cases the organizations ignore this requirement.

**New management framework** - A special working group was mandated by the OLSPB to prepare a *Management and Accountability Framework for the Official Language Support Programs*. This framework was developed following the adoption by the OLSPB of a results-oriented management method, as planned in its management practices improvement plan. This document links the Programs' priority activities with the anticipated results and their performance measurements. This initiative should enable the OLSPB to further improve and standardize delivery of the SOLCP across Canada and to be in a position to improve the evaluation of its overall funding based on the anticipated results.





### 8.3 File review findings

#### *Introduction*

Initially, the audit was supposed to involve the review of 40 files for each fiscal year for a total of 80 files. Since funding was not always granted for both years in four files, mainly in the case of development projects, a total of 74 funding decisions were obtained.

The results of the review have not been compiled for the two files requested for the Northwest Territories, since the agreement signed with the Francophone community in the NWT, represented by the Fédération Franco-Ténoise, or FFT, contained special clauses which made it too different from the other Canada-community agreements. For instance, article 10 of the agreement entitled “**Administrative devolution pilot project**” indicates that the administration of the funding was transferred to the FFT under a renewable two-year *Contribution Agreement*.

The review of the files received for the Northwest Territories revealed that:

- The applications from the organizations are not in the file, only the report of the Applications Evaluation Committee provides a detailed list of the organizations that have submitted applications with the amounts requested by each organization. Summary tables show the details of the requested funding, by activity, for each organization.
- The decisions of the joint committee are also contained in one report including the details and the reasons for the funding for each organization.
- Following the decisions of the joint committee, an application form is completed by the FFT on behalf of all the organizations for the total amount of the funding approved.
- The recommendation to the Minister is also for the total amount, and the letter from the Minister approving the total amount is addressed to the FFT. The activity reports (condition of funding) are requested for the FFT and not for each organization and are required within two months following the end of the project (standard letter format as for the other provinces).

Since this pilot project ends in March 2001, it would be advisable to conduct an audit before a decision is taken to extend this funding mechanism.



## *Observations*

The observations are grouped into three categories (receipt, analysis and follow-up) and, insofar as possible, are presented in the order of the decision-making process.

### **8.3.1 Receipt of applications**

#### *i) Fiscal year*

Out of the 74 files examined, funding was granted to 31 organizations whose fiscal year ends on a date other than March 31. It is therefore difficult to identify in the financial statements the funding received from the Department, as well as that from other sources, for the period corresponding to the activities funded, since it is distributed over two fiscal years.

#### *ii) Organization of the files*

The file review revealed that record-keeping procedures are somewhat different for each responsibility centre. On the one hand, one finds files in which each document is filed according to the main steps of the implementation process (each step being marked by a tab of a separate colour). On the other hand, one finds files with documents exceeding the capacity of the file folder and not always filed in chronological order. In general, in most of the files reviewed following the training on due diligence, care was taken to ensure that they were complete and that tabs had been added to indicate where to find the main documents more easily.

The application form was designed in such a way that the organizations are asked to provide with each application a copy of their articles of incorporation and the previous year's financial statements. Since it is the practice at the SOLCP to open a new file for each funding application and in the majority of cases it is the same organizations that apply year after year, we end up with several copies of the same document. For instance, the same articles of incorporation are sent every year, even if there have been no changes with the new application.

#### *iii) Proposed budget*

The "Budget" section of the form is structured in such a way that the organization presents the total expenditures planned for each expenditure category listed on the application form. In the "Project Description" section, the Department asks for a list of the activities



planned in order to attain each of the stated objectives, but does not ask for details concerning the anticipated costs to carry out each of the activities.

### 8.3.2 Analysis and decisions

#### *i) Eligibility criteria*

Although eligibility criteria are evident in the new tools that the Department has adopted following the training on due diligence, for some responsibility centres, there is no indication in the files that criteria exist or that the applications were analysed with reference to the criteria. The audit revealed that for 27 funding decisions (36% of cases), it is not obvious in the files that eligibility criteria were taken into account during the decision-making by the joint committee.

For some responsibility centres, the criteria are quite evident during the communication with the organizations asking them to submit their application, as well as during the preparation of the analysis checklists for the joint committee. However, there is no evidence in the file that they were used. The review also revealed that the practices described above were essentially the same for each centre, for 1999-2000 as well as for 2000-2001.

#### *ii) Funding mechanism*

The Department's practice is to award funding in the form of a grant in almost all cases. When announcing approval of the grant, the letter from the Minister usually stipulates two or three conditions (submission of audited financial statements, management letter, annual or activity report). The file review revealed that when the financial statements are received, they are examined in 50% of cases by the Financial Services of the Department or region (or by private services, in some provinces) to obtain the opinion of a financial expert before releasing the final payment.

However, there is no documentation in the file indicating that the financial statements attached to the application - it should be noted that these statements were provided in only 75% of the files examined - were reviewed by Financial Services **before** funding was granted to analyse the level of risk (financial or other) that the organization might pose. The audit did not make it possible to identify the criteria on which the Department relied for its choice of funding mechanism.

Since it is essentially always the same organizations that submit funding applications, they have become accustomed over the years to the grant mechanism, which is less onerous for



them and for the Department. During the visits to the regions, it was confirmed that the contribution mechanism is viewed negatively by the communities, since it entails stricter controls by the Department.

iii) *Funding decisions*

In 37% of the files examined, the decisions made by the officer responsible for the file or those made by the joint committees were not documented. In general, the tables or other tools prepared to facilitate the work of the joint committees contain mainly descriptive information on the project and the various amounts (funding provided in the previous year, project budget, funding requested, etc.) without explaining, for example, that the organization met this or that criterion or that it attained the results anticipated the last time it received funding. For 2000-2001, several provinces used the "Recommendation for Approval" form (RAF), but the JUSTIFICATION box very rarely indicates why the Committee granted funding or reduced the amount requested.

For some responsibility centres, the meetings of the joint committees are very detailed: the agendas are in the file, the minutes are very detailed, including the discussions that took place for each organization. For other centres, the minutes of the joint committees meetings are not in the file, there is only the recommendation to the Minister. In one province, the Canada-community agreement even stipulates that the joint committee does not have to prepare minutes of its meetings, but only submit the list of recommended projects.

It is important to mention that at headquarters, the Agreement Management Committee meets with each of the national organizations that have submitted an application to give them the opportunity to make a brief presentation, followed by a question period and a period of deliberation by this committee. However, this practice is not widespread in any other province, except Quebec, where similar consultations are organized.

For the files processed in 2000-2001, the documentation of the decision-making process is in general a little more evident. The final recommendation is generally signed by the manager responsible and the minutes of the joint committee provide more details on the proceedings of the meetings. In addition, the recommendation to the Minister includes a summary table of the applications (organization, project name, amount requested, members' comments, priority accorded and proposed amount).

iv) *Recommendations to the Minister*



Following the decisions taken by the joint committee, a program officer from each provincial office is responsible for preparing the “Recommendation to the Minister.” This document is very brief and prepared in briefing note format. According to the procedure in effect, a copy of which we have obtained, it is not necessary to indicate the date on the document; furthermore, only the name of the person who prepared the document and the name of the provincial director must be indicated on the document. The file review revealed that these recommendations are not dated and are very rarely signed by the director responsible. In the event of a long delay in processing, it would not be possible to determine the time elapsed between the sending of the recommendation and the Minister’s letter of approval.

v) *Conflict of interest*

For the majority of the Canada-community agreements, there is a clause dealing with conflict of interest. In some provinces, there is also a clear policy requiring any member to withdraw from the discussions and abstain from participating in the decisions for organizations where they would be in a conflict of interest. However, in the majority of the files examined, there is no indication that this policy was applied.

Except for headquarters and New Brunswick, there is nothing in the files which would provide an assurance that at no time was a member of the joint committee in a conflict of interest with respect to the application under study, when the committee recommended funding for the organization.

### **8.3.3 Follow-up and review of the information**

i) *Activity/annual reports*

The file review revealed that in only 39% of cases (29 funding files out of a potential 74) was there evidence in the file that the officer examined the activity reports or the annual report provided by the organization at the end of the activities. Furthermore, it is not obvious that a judgement was made with respect to: accomplishments, attainment of the anticipated results, or value added at the end of the project.

ii) *Surplus*

According to the files examined, the financial statements of the majority of the organizations that requested program funding show an accumulated surplus. The audit made it possible to identify that for only seven funding decisions, the financial statements showed little or no surplus (\$5,000 or less). In a few cases, the amount of the accumulated surplus is higher than their annual program funding.



Except for certain exceptional cases in which financial experts were asked to provide an opinion on the financial statements, there is nothing in the file to demonstrate that the program officers and the joint committees take accumulated surpluses into account when awarding funding.



## 9. Conclusion and recommendations

The SOLCP has been in existence for a number of years and has undergone many changes since its establishment. The introduction of the mechanism of the Canada-community agreements in particular resulted in many changes in the delivery of the program. The lessons learned with the first generation of agreements gave the OLSPB the opportunity to make new changes aimed at giving the communities more responsibility, during the renewal of the agreements in 1999.

Although a number of observations are presented in this report, it is important to mention that, in general, the program is well managed and that numerous efforts are continually made to improve administrative practices. During the audit, the OLSPB was always very cooperative with the audit team, it kept us informed of any new developments and did not hesitate to provide us with copies of any documents describing the new initiatives or new tools.

The **management framework** does not appear to suffer from any fundamental or severe dysfunction that would prevent the Department from carrying out its mandate. Furthermore, the somewhat “routine” aspect of the program (which has been in existence for nearly thirty years, with essentially the same population of applicants, the familiarization of the senior managers with the various aspects of the program, etc.) introduces an element of stability and helps significantly in reducing – without totally eliminating – the level of risk in the delivery of the program.

However, the program, the stakeholders and the context are evolving. The delivery mechanisms and the expectations of the communities as well as those of the public change, government policies are revised, new officers and executives renew the management team. In this context, this relative stability is not a guarantee of absolute security, particularly since, from both a management standpoint and a standpoint of due diligence vis à vis risk management, there is room for sometimes significant improvements in order to minimize the risk.

A number of efforts are continuously under way to improve the efficiency of program management. During the 2000-2001 fiscal year, training on due diligence was given to all the responsibility centres, as a result of which all the centres have reviewed their operations to make changes in procedures and create new tools to improve management of the program.

At headquarters, a new management and accountability framework is under development to more clearly specify the objectives of the program and the results to be attained for each program component; in addition, a *National Review Committee* on grants and contributions was established whose main objective is to ensure that the funding recommendations by the joint committees and the Department comply with the stated requirements. An *Advisory Committee on the Improvement of Management Practices* was established and a five-year evaluation and audit plan was developed.



It would undoubtedly be appropriate to ensure that all the regions – including the national level – are on an equal footing in terms of the nature and quality of their tools. This is not a matter of bureaucratizing the process to an extreme, nor even of simply standardizing the tools (a degree of regional flexibility can prove useful in responding to the specific requirements of local “markets”) but rather of finding concrete, practical and operational solutions and ensuring an appropriate basis of consistency, dissemination of the lessons learned and of the most effective practices and application of the principles of due diligence. The existence of procedures manuals that are up to date and reflect operational reality, the development of standard analysis and evaluation checklists containing clear criteria that are understood by all, easy access to a collection of policies and directives – these are a few examples of practical tools which constitute a minimum base from a management standpoint.

Obviously, we cannot evaluate the quality of the measures that will be implemented, but, on paper at least, these measures seem to attest to the concern of the program managers to draw the lessons learned, both in the management of their own program and in other programs of the department, and to correct the deficiencies observed. A specific, clear and detailed program of follow-up by senior management of the Department concerning the implementation of these measures and the evaluation – both periodic and continuous – of the tools that will be made available to managers and officers in the future seems indispensable.

This program of follow-up and evaluation will have to make it possible to assess whether the newly introduced tools:

- Are effectively used;
- Are capable of making improvements to current practices;
- Introduce new types of bias likely to limit the performance of the Support for Official-Language Communities Program.

As for **the file review**, since the audit dealt essentially with 1999-2000 and 2000-2001, the changes made following the training on due diligence had not yet all been put in place and therefore do not always appear in the files. Thus, several of the observations mentioned in the report are related to the fact that there is no evidence in the files (this is the case for the criteria, funding decisions, conflict of interest, etc.).

It is therefore recommended that phase II be replaced, as anticipated during the planning of the audit, with a file review that would be conducted using a new sample of a size to be determined, but with a national geographical distribution. This new audit would also include a review of the framework, taking into account the new tools put in place, and should take place following the funding decisions for 2001-2002, i.e. during the spring of 2002.

## Recommendations





***A) Management framework***

1. Review the terms and conditions of the program to ensure that they are in compliance with the requirements of Treasury Board policies on transfer payments.
2. Evaluate the effectiveness and the internal and external impact of all the new measures implemented and especially those related to the funding mechanisms.
3. Review the level of resources and the training needs of program personnel and upgrade skills when necessary.
4. Develop good communication mechanisms.
5. Review the management framework for the “National Funds” (development funds and strategic initiative measures).
6. Enhance the strategic evaluation capacity for the program as a whole.
7. Optimize and rationalize the GCIMS.

***B) Accountability framework***

*Internally:*

8. Review the current operation of the accountability framework ("Program" - "Regions"), in the context of the Department's matrix approach.

An effective accountability framework must enable PCH managers to:

- a) define and allocate roles and responsibilities in a clear and formal way
- b) translate these roles and responsibilities into specific mandates, supported by clear and specific objectives. These mandates can take various forms: mandate letter, management agreement, development contract, etc.
- c) allocate resources based on these mandates
- d) conduct a follow-up and an evaluation which requires the mandatees (i.e. those who have been entrusted with a mandate) *to report on:*



- the implementation of the mandates received,
- the attainment of the stated objectives,
- the impact obtained,
- the justification of the variances from the stated objectives.

The follow-up and evaluation mechanisms must enable the decision-makers:

- to assess the performance of the mandatees (and therefore to define the appropriate type of recognition),
- to determine the advisability of sharing current roles and responsibilities (and of adjusting them if necessary).

9. Reinforce the impact of the NRC in terms of its *modus operandi* (composition and operation) and its role (review of files and exchanges of information/establishment of common benchmarks).<sup>2</sup>

*Vis-à-vis the joint committees*

10. Review the terms of participation in the joint committees - particularly in light of the lack of independent analyses in the files.
11. Raise the awareness of all the stakeholders concerning their respective accountability (i.e. distinguish clearly the concepts of “delegation of duties” and “accountability”).

### ***C) Receipt of applications***

12. Although it is difficult to force an organization to change the date of its fiscal year end, the Department could require organizations whose fiscal year ends on a date other than March 31 to have their auditor indicate, by means of a note to the

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<sup>2</sup>*N.B.*: Reinforcing the NRC does not, in and of itself, imply calling into question the contractual agreements entered into under the Canada-community agreements, since these agreements do not relieve either the Minister of her accountability for the approval of funding, or PCH for the advice it provides to the Minister on this point.



financial statements, the amounts of funding received from PCH and from other sources during the fiscal year. This condition could apply particularly for funding provided in the form of contributions.

13. With the implementation of new management tools, it would be appropriate to review record-keeping and to standardize it to some degree. As a minimum, it is recommended to use of a permanent file for all the legal documents or those that do not change over the years and an annual file for the application, the correspondence and everything that is specific to the current year's funding. For the smaller responsibility centres where there is only one office per province, a joint committee file could be used to file everything produced for and by the committee (application analysis tables, minutes of meetings, recommendations to the Minister, etc.).
14. The format of the application should be modified to indicate to the organizations that they should attach the articles of incorporation or other legal documents only when changes have occurred since the last application or if it is a new organization.
15. Since the OLSPB wishes to move toward a results-based management model during the coming years, it will have to place greater emphasis on concrete and measurable results, as well as on the activities to be carried out to attain the results. It is recommended that the concept of accounting by activities be included in the measures being considered by the OLSPB to improve management practices. In the future, the organizations will have to be asked to submit budgets by activities and financial reports showing the costs for each activity.

#### ***D) Analysis and decisions***

16. The Department should take measures to ensure that:
  - the eligibility criteria are communicated to the organizations when they are asked to submit their application;
  - the criteria were taken into account during the analysis of the eligibility of the applications;
  - the joint committee was informed that the applications submitted to it were analysed using the established criteria; and
  - the files demonstrate that the established criteria were taken into account before recommending funding.



17. The program officers should request the opinion of a financial expert (in the Department or elsewhere) or receive additional training, in order to be in a position to evaluate the level of financial risk of each organization, before making the recommendation to grant funding.
18. The Department should use contributions as the funding mechanism for all organizations that pose a financial or non-financial risk, regardless of the amount of funding.
19. The OLSPB should hold discussions with Financial Services to review the criteria to be used for choosing the funding mechanism and the conditions to be included in the contribution agreement of an organization that is experiencing financial difficulties at the time of a new contribution.
20. As indicated in the Treasury Board policy, all funding decisions must be documented in the files, including those of the joint committees. The minutes should indicate for each organization the reasons justifying the amount of the funding.
21. The procedure should be changed so that the funding recommendation sent to the Minister is dated and signed by the director responsible.
22. In order to ensure that the conflict of interest policy is applied in all the regions, the OLSPB should take measures to require that the joint committees prepare a minimum amount of documentation for the file: i.e. a note in the minutes of the meetings or a statement signed by the person in a conflict of interest position (see model used in NB).
23. Once the new improvement measures have been implemented, the Department should develop a business case in order to obtain a delegation of authority for the approval of funding applications for lesser amounts.

***E) Follow-up and review of the information***

24. If the Department wishes to measure more effectively the results obtained through the funding it provides, it will have to ask for results-oriented reports rather than simple annual reports. In addition, the officer responsible for the file should complete a note in the file indicating that he/she examined the report provided by the organization and give his/her assessment of the document, in order to permit



better decision-making, the next time funding is awarded and to enable the program to make an overall evaluation of the funding provided.

25. At the application analysis step, organizations that have accumulated surpluses over the years should be questioned to determine whether their needs are no longer as great, whether other funding was received or to determine whether fewer activities than planned were carried out.
26. The OLSPB should take advantage of the renewal in the Department brought about by the due diligence process to institute new policies concerning surpluses.

***F) Other***

27. In light of the fact that the funding method used for the Canada-community agreement in the Northwest Territories was on a pilot project basis, the OLSPB should conduct an audit of the contribution agreement as well as of the funding files to review their results.



## 10. MANAGEMENT RESPONSE

The Official Language Support Programs Branch (OLSPB) accepts all the recommendations formulated in this internal audit report.

In the context of the modern management framework which the Government of Canada adopted in a document entitled *Results for Canadians*, published by the Treasury Board in March 2000, and in light of the revised Treasury Board Policy on Transfer Payments, the OLSPB has undertaken a modernization of its management tools as well as of the measures enabling it to exercise greater due diligence in the administration of its funding files. To this end, it has adopted a management practices improvement plan in recent months which provides for a number of measures in response to the recommendations. Some of the measures are already in effect, while others will be implemented shortly. The Branch's plan is fully in keeping with the spirit of the new Policy on Active Monitoring adopted by the Treasury Board in June 2001, whereby the departments must actively monitor the state of their management practices and controls using a risk-management approach and take effective corrective measures where necessary.

### MANAGEMENT FRAMEWORK

#### *Policies, program objectives and strategic analysis*

In November 2000, the OLSPB created an Advisory Committee on the Improvement of Management Practices to provide guidance and ensure the implementation of measures aimed at improving its management practices. This committee has overseen the development of the management practices improvement plan, which has become the road map for modifying current practices in the direction of a more results-oriented management approach and the exercise of greater due diligence in the delivery of our grants and contributions programs, in accordance with the new management framework of the Government of Canada.

The management practices improvement plan aims to strengthen the strategic evaluation capability for all Official Languages Support Programs. In addition, in April 2000, the OLSPB established an evaluation and audit plan which provides, between 2000 and 2005, for the cyclical evaluation and audit of all program components as well as the updating of the program terms and conditions in order to bring them into line with the Treasury Board Policy on Transfer Payments. The evaluation and audit plan will enable the OLSPB to support its strategic analysis at the planning stage.

At the same time, the OLSPB undertook the development, in December 2000, of a results-oriented management and accountability framework for all its programs. This framework is the first step toward the implementation of a results-oriented management approach. We are



currently identifying indicators as well as tools for collecting the data relevant to the measurement of results.

With respect to the program concerned by this audit, we have also undertaken the development of a management and accountability framework which will be used, during the next two years, to evaluate this program. This framework, in addition to describing the desired results and the performance indicators, establishes the evaluation issues and presents a risk-based audit framework.

We are currently reviewing the management framework of the national funds that we will henceforth call *Strategic Development Funds*. A procedure for project selection will be established.

### *Communications and training*

The Branch will ensure that a clear management framework supported by specific directives is in place for all of its programs and applied by the staff responsible for their implementation. It has already established various means of communications, including conference calls, memos, directives, information sheets, key messages, operational tools, etc. The Branch plans to draw up an officer's and manager's guide that will incorporate the various work tools.

In addition, we have developed a training program for official languages personnel. In March 2000, as part of a departmental initiative, an initial series of workshops on due diligence was offered at headquarters and in the regions in collaboration with Corporate Review and Financial Services. In November and December 2000, a second series of workshops was offered to official languages personnel to examine in greater depth the concepts related to the exercise of due diligence. We plan to continue these training activities by offering workshops on management by results and on various areas of competence (analysis of complexity, analysis of financial statements, budgetary analysis of an application, analysis of activity reports, documentation of analyses and of funding decisions, indeed every aspect of the processing of a funding application). This training will also aim to increase the ability of officers and managers to properly document their recommendations.

Training will also be provided to the recipients. The planned training will deal with the preparation of a funding application using a results-based approach. The recipients will therefore be encouraged to submit their application based on their intended results and then to report on the results attained. To this end, an applicant's guide will be specially designed for the Support for Official-Language Communities Program.

## FILE REVIEW

### *Management structure and control*

The National Review Committee on grants and contributions is an entity that was created last December to equip the Branch with a continuous audit process in order to exercise greater due diligence in the review and approval of grants and contributions. This committee reviews all funding files and formulates recommendations on the development, selection, approval and follow-up of projects funded by grants or contributions, as well as on the allocation of resources to the various program components in order to assist the Branch in attaining its objectives and priorities. This committee has already issued a number of administrative directives and program policies (policy on the use of grants and contributions; directives on surpluses, large cash reserves, deferred income, organizations' fiscal year; procedures concerning the organization of recommendation files and the preparation of contribution agreements, etc.). The National Review Committee plans to continue its work by drawing up guidelines which would establish common yardsticks and thereby facilitate the work of the program officers and managers. Once the National Review Committee has been in operation for a complete financial cycle, we will wish to evaluate its impact on the rate of compliance of the files in order to make any necessary adjustments.

### *Accountability*

In the case of the Support for Official-Language Communities Program, when the National Review Committee was announced last fall, we communicated with the stakeholders on various occasions to clarify the role of the joint committees vis à vis the role of the Department and of the Minister: memo to program personnel, letters to the co-chairs of the Canada-community agreements, information sheet on the role of the joint committees vis à vis the role of the Department, meetings or conference calls to provide additional explanations to clients on the management practices improvement measures implemented. The joint committees decide on the community's development priorities and propose a distribution of funding (delegation of duties), while the Department decides on the eligibility and merits of the proposals in terms of the results expected by the program, and the Minister makes the final decisions concerning the funding (accountability of the Department and of the Minister).

In order to ensure accountability, the National Review Committee requests that the files include evidence of the analysis conducted by the officials of the Department in addition to the joint committees' analyses.

### *Eligibility criteria and analysis*





In general, there are eligibility criteria for each agreement which are communicated to the recipients and tools for evaluating applications. The improvement plan calls for the development of management and work tools that will include the preparation of an analysis checklist that can be adapted to each agreement. In 2001-2002, the National Review Committee requires that the criteria be used and that the file demonstrate this clearly. It will not accept any file whose analysis is not properly documented.

We have already developed applicant's guides for other program components, in the winter of 2001 (Language Acquisition Development Program and Support for Linguistic Duality), and we shall do so shortly for the Support for Official-Language Communities Program. These guides are an effective means of communicating to recipients the criteria used in the analysis of proposals.

#### *Financial administration*

In March 2001, the Branch issued a policy governing the choice of funding mechanisms along with a checklist for evaluating the complexity of funding proposals. This tool for evaluating the complexity of proposals began to be used for 2001-2002 files. Since the policy was adopted, nearly 60% of the financial assistance provided has been in the form of contributions. The Department's Financial Services are consulted whenever an organization is experiencing financial difficulties.

The National Review Committee has examined other financial administration issues. In a context where we are looking for more concrete and measurable results, it would be appropriate to ask the organizations to submit their budget by activities. Discussions have been initiated with some organizations on this issue. In the case of organizations that do not have the same fiscal year as the government, the National Review Committee took steps to ensure that the Department's contribution is easily identifiable in the financial statements submitted by these organizations.

The National Review Committee noted that some organizations had surpluses, deferred income or large cash reserves and established a procedure to be followed in such cases. This involves, first of all, verifying with the organization whether these surpluses, deferred income and cash reserves are attributable to the funds it received from the Department. The Department will ensure that the deferred income stemming from our grants will be used for the planned purposes. Funding by contribution now allows the Department to recover any surplus of the contribution relative to the expenditures for a given year.

The National Review Committee requests that henceforth the management committees of the Canada-community agreements take any surpluses and large cash reserves of the organizations into account when analysing a funding application so that they are able to make an informed decision. In these cases, the joint committees will have to evaluate objectively the need to

provide federal funding. The analysis of these committees will have to demonstrate that they have endeavored to obtain an explanation of the nature and planned use of these surpluses and large cash reserves and that this issue was addressed before the funding decision was made.

## **FOLLOW-UP**

During the implementation of the management practices improvement measures, each responsibility centre which is responsible for the implementation of official language support programs will wish to accord greater priority to activities concerning due diligence and the improvement of management practices and, to this end, will ensure that the necessary resources are allocated thereto.

We anticipate a follow-up to this audit in the spring of 2002, which will enable us to observe the degree of effectiveness of the management improvement measures adopted and to make any necessary adjustments. In addition, a Department/Communities working group has been created in order to identify ways of assisting the organizations to cope with the transitional period that we are going through.

## **CONSIDERATIONS OF DEPARTMENTAL SCOPE**

In the context of the modern management framework of the Government of Canada, the Department of Canadian Heritage has established an Office of Modern Management, which will oversee the implementation of comptrollership within the Department and of the new Treasury Board Policy on Active Monitoring.

Among the measures taken by the Department to improve all its management practices, the *Audit and Evaluation Committee*, chaired by the Deputy Minister, was created to examine the issues arising from the audits and evaluations in order to improve the quality of the Department's management, performance measurement and reporting. The *National Programs Board*, chaired by the Associate Deputy Minister, has also been established to provide strategic advice on a wide range of issues involving all aspects of modern management. These departmental committees will consider some of the recommendations formulated in this report, notably the current operation of the accountability framework ("Program" - "Regions") in the context of the Department's matrix approach, the optimization of the *Grants and Contributions Information Management System* (GCIMS) and the possibility of obtaining a delegation of authority for the approval of funding applications for small amounts.

**OTHER CONSIDERATIONS**

The Branch also intends to undertake the following measures: propose a common approach to reduce potential conflicts of interest during meetings of the joint committees; conduct an audit of the contribution agreement that was the subject of a pilot project in the Northwest Territories; establish a procedure on the organization of files, particularly for organizations’ legal documents and the documents of the joint committees of the agreements.

**SUMMARY OF MAIN RECOMMENDATIONS  
AND MEASURES UNDERTAKEN**

The OLSPB has adopted a management practices improvement plan in recent months which provides for a number of measures in response to the recommendations. Some of the measures are already in effect while others will be implemented shortly.

<b>Recommendations</b>	<b>Measures</b>	<b>Date</b>
<b>MANAGEMENT FRAMEWORK - Policies, Program objectives and strategic analysis</b>		
Emphasize management based on results	• Development of a five-year audit and evaluation plan	April 2000
	• Establishment of an Advisory Committee on management improvement practices	November 2000
Enhance the strategic evaluation capacity for the program as a whole	• Development of a management and accountability framework based on results for all Official Languages Programs	2001-2002
	• Review of the Terms and Conditions	June 2002
	• Development of a management and accountability framework for the SOLCP	2001-2002
	• Development of an evaluation framework for Interdepartmental Partnership with official language communities and for article 41 of the <i>OLA</i>	March 2001
Review the procedures for the management of the “National Funds” (now called Strategic Development Fund)	• Development of a method of operation for the selection of projects for the Strategic Development Fund	2002-2003
<b>MANAGEMENT FRAMEWORK - communications and training</b>		



Develop good communication mechanisms and sensitize the stakeholders to the respective accountabilities	<ul style="list-style-type: none"> <li>•Development of various communication vehicles (teleconferences, memoranda, guidelines, information docket, operational tools, etc. )</li> <li>•Creation of a working group Department/Community to identify methods to assist organizations in the transition period</li> </ul>	<p>continuous</p> <p>June 2001</p>
Request that organizations submit budgets by activities and reports by results	<ul style="list-style-type: none"> <li>•Development of a guide for applicants</li> <li>•Training for beneficiaries</li> </ul>	<p>September 2001</p> <p>October 2001</p>
Review the training needs of program staff and proceed with the reinforcement of competencies when necessary	<ul style="list-style-type: none"> <li>•Training workshops on due diligence</li> <li>•Development of a program and management guide that will integrate the various working tools</li> <li>•Training of program staff and management on the guide.</li> </ul>	<p>Dec. 2000</p> <p>Sept. 2001</p> <p>October 2001</p>
<b>FILE REVIEW - Monitoring and Management structure</b>		
Reinforce the impact of the National Committee on grants and contributions in terms its modus operandi	<ul style="list-style-type: none"> <li>•Assess the operation and impact of the NRC</li> <li>•Review the composition of the NRC</li> </ul>	<p>Dec. 2001</p>
<b>FILE REVIEW - Accountability Framework</b>		
Review the current operation of the accountability framework (« Program » - « Regions »).	Adoption of a framework that defines roles and responsibilities of the stakeholders in the implementation of the Official Languages Programs	<p>Fall 2001</p>
Review the terms of participation in the joint committees	<ul style="list-style-type: none"> <li>•In the short term - develop a code of ethic to reduce the possibility of conflict of interest for meetings of joint committees</li> <li>•In the medium term - this issue will be dealt with in the evaluation of the agreements</li> </ul>	<p>Fall 2001</p> <p>March 2003</p>
<b>FILE REVIEW - Eligibility Criteria and Analysis</b>		
Assess requests for funding according to eligibility and analysis criteria	<ul style="list-style-type: none"> <li>•Development and review of a control list stating the eligibility and analysis criteria to be used</li> <li>• Development of an analysis grid easily adaptable to each agreement</li> </ul>	<p>Nov 2000 to</p> <p>February 2001</p> <p>Spring 2002</p>
All funding decisions must be documented in the files	The National Committee requires that files include proof that the analysis has been made by departmental staff in addition to the analysis of the joint committees	<p>December 2000</p>
<b>FILE REVIEW - Financial Administration</b>		
Use contributions as the funding mechanism for all organizations that pose a risk	<ul style="list-style-type: none"> <li>•Transmission of a policy on the choice of the funding mechanism along with a grid on the evaluation of the complexity of funding requests</li> <li>•Review of the policy</li> </ul>	<p>March 2001</p> <p>February 2002</p>



Put in place new policies on surpluses	The National Committee has developed guidelines to ensure that surpluses are taken into consideration in the analysis of a funding request and that explanations are provided on the nature and the forecasted use of the surpluses before making a funding recommendation.	March 2001
<b>OTHER</b>		
Conduct an audit of the contribution agreement for the pilot project with the Northwest Territories as well as the funding files to review their results	•Conduct an audit of the contribution agreement with the francophone community of the Northwest Territories	Spring 2002
Review and standardize record-keeping (i.e., : use of a permanent file to file all legal documents .....and an annual file to file the application ....)	Establish a procedure on the organization of a file including filing separately legal documents and documents from joint committees of the agreements	February 2002



## Appendix A

### List of the documents examined during the audit

General information on the Canada-community agreements  
Budget allocation for the Canada-community agreements  
Official Languages Act - 1999 Edition  
Treasury Board Policy on Transfer Payments (versions of January 1997 and June 2001)  
Discussion Paper - Support to Official-Language Communities in Minority Situations (June 1994)  
1999-2000 and 2000-2001 budget allocation  
1999-2000 Estimates - Part III  
Comments of the regions following the training on due diligence  
Evaluation tool for grants and contributions files (draft)  
New grants and contributions file review mechanism (enhanced monitoring) - Decision Report  
Examples of decision letters sent by the Minister to recipient organizations  
General Application Form and Guide to the Funding Application Form  
Canada-community agreements - 10 provinces, 3 territories, national organizations and Société nationale de l'Acadie  
Evaluation of Canada-community agreements by the CRB (January 1997)  
Tools prepared by the regions/provinces following the training on due diligence (mainly for Alberta, New Brunswick, Ontario and Quebec)  
Various documents related to the program funding process provided by the Quebec Region  
Framework for Identifying Risk in Grants and Contributions Programs - Office of the Auditor General of Canada (March 2000)  
Context and mechanisms of delivery of the OLSP for the 1999-2000 period - copy of the transparencies used for the presentation to the OAG in Toronto on March 19, 2001  
Memorandum of 1999-2000 on the administrative procedures of the Canada-community agreements  
Management practices improvement plan by the OLSPB - Version of March 6, 2001  
2000-2005 evaluation and audit plan  
Management and Accountability Framework for the Official Language Support Programs (March 2001)  
Memorandum sent to all the regions by the OLSPB on March 16, 2001, on the subject of "improving the management of our programs". The memorandum contained the following documents:

- File checklist
- Checklist for evaluating complexity
- Contribution agreement and supporting documents

Annual Report on Official Languages 1999-2000  
Policy on the choice of funding instruments



**Appendix B**

**List of the persons interviewed during the audit**

Hilaire Lemoine, Director General, Official Languages Support Programs (OLSP)  
Yvan Déry, Director, Operations and Regional Coordination, OLSP  
Hélène Cormier, Director, Policy - Analysis and Promotion, OLSP  
André Latreille, Manager, Centre Provinces - National Programs, OLSP  
Mireille Guitard, Director, Financial Planning and Administration, OLSP  
Sylvie Rochette, Manager, Intergovernmental Strategies, OLSP  
Jean Bernard Lafontaine, Regional Executive Director, Atlantic Region  
Adrien Bussière, Director, Alberta District, Western Region  
Jean-Guy Rioux, President of the Société des acadiens et acadiennes du N-B  
Suzanne Dalziel, President of the Association canadienne française de l'Alberta