



# **Aboriginal Affairs and Northern Development Canada**

## **Internal Audit Report**

### **Audit of the Income Assistance Program**

**Prepared by:**

**Audit and Assurance Services Branch**

**Project # 12-07**

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**TABLE OF CONTENTS**

ACRONYMS ..... ii

EXECUTIVE SUMMARY ..... 1

1. BACKGROUND ..... 4

2. AUDIT OBJECTIVE AND SCOPE ..... 7

3. APPROACH AND METHODOLOGY ..... 8

4. CONCLUSION ..... 9

5. FINDINGS AND RECOMMENDATIONS ..... 9

    5.1 Governance over Implementation of Income Assistance Reform ..... 9

    5.2 Stewardship ..... 15

    5.3 Accountability ..... 20

6. MANAGEMENT ACTION PLAN ..... 22

Appendix A – Audit Criteria ..... 25

Appendix B – Roles and Responsibilities ..... 30

## ACRONYMS

AANDC	Aboriginal Affairs and Northern Development Canada
DCI	Data Collection Instrument
ESDPP	Education and Social Development Programs and Partnerships
FSO	Funding Services Officer
HRSDC	Human Resources and Skills Development Canada
HQ	Headquarters
IA	Income Assistance
SPPB	Social Policy and Programs Branch
TPCOE	Transfer Payments Centre of Expertise

# EXECUTIVE SUMMARY

## ***Background***

The Audit and Evaluation Sector of Aboriginal Affairs and Northern Development Canada (hereon referred to as “AANDC” or “the Department”) identified an Audit of the Income Assistance (IA) program in the 2012-13 to 2014-15 Risk-Based Audit Plan approved by the Deputy Minister at the Audit Committee meeting held on February 23, 2012.

The audit was included in the plan on the basis of: the significance of annual expenditures of the Income Assistance Program (>\$800M); the sensitivity of the program; and, the complexity of program delivery, considering that each province/territory establishes their own standards and the delivery model varies depending on the province/territory. Moreover, proposals are currently being considered to reform Income Assistance and an audit of this program has not been undertaken in a number of years.

## ***Audit Objective and Scope***

The objective of the audit was to assess the adequacy and effectiveness of the controls in place to support the design, delivery, and monitoring of the Income Assistance Program, including compliance with relevant program authorities and Treasury Board and AANDC policy requirements. Specifically, the audit objective included an assessment of whether there were:

- Effective governance controls in place to support the delivery of efficient and effective IA program services;
- Effective controls in place to manage resources (HR and Financial) in support of the delivery of IA program service requirements; and
- Organizational structures in place with clear roles and responsibilities to effectively support delivery of the IA program.

The scope of the audit included a focus on the proposed changes to the program’s Management Control Framework related to income assistance reforms (including Active Measures), and was limited to AANDC’s responsibilities in support of the program, both regionally and nationally. The scope of the audit did not include the operations on reserves themselves, nor did it include the operations of Tribal Councils or provincial organizations that have assumed responsibility for the delivery of income assistance on behalf of AANDC (i.e. Ontario). Other government departments that will support AANDC’s delivery of Active Measures programming going forward, including Human Resources and Skills Development Canada (HRSDC), were interviewed as part of the audit. The audit scope covered the period from April 1, 2010 through September 30, 2012.

The scope also included the Management Accountability Framework and Core Management Control elements that help ensure effective governance, stewardship and accountability.

- Governance – focused on AANDC Headquarters’ (HQ) oversight and monitoring of the IA program including Active Measures;

- Stewardship – focused on AANDC HQ’s and Regions’ budgeting, forecasting and monitoring, Regional and National General Assessments; and reporting to Headquarters; and
- Accountability – focused on AANDC HQs’ and Regions’ organization structure to support the IA program and clarity of related roles and responsibilities.

Site visits were conducted in Alberta, Saskatchewan, Manitoba and Quebec as part of the audit. These specific regions were selected during the planning phase of the audit based on, the significance of annual expenditures, input from management, and the objective to look at different delivery models utilized by regional offices.

### ***Statement of Conformance***

The Audit of the Income Assistance Program conforms with the Internal Auditing Standards for the Government of Canada, as supported by the results of the quality assurance and improvement program.

### ***Observed Strengths***

The audit scope spanned two and a half years, from April 1, 2010 through September 30, 2012. During the period of the audit, the Social Policy and Programs Branch (SPPB) has been actively redesigning and implementing a Management Control Framework for all five social programs. To date, this work has included:

- a new Social Programs National Manual that will replace existing regional manuals;
- new, more consolidated program terms and conditions that are compliant with the Policy on Transfer Payments;
- a Performance Measurement Framework – approved in 2011 – that reduces the number of social programs performance indicators from 292 to 18 (many of which are comparable with provincial social program performance indicators);
- revised recipient data collection instruments (DCIs) that significantly reduce the recipient reporting burden;
- a more robust and effective risk-based reporting regime; and,
- a compliance framework consisting of a directive, handbook, risk assessment tools and other tools.

### ***Conclusion***

The audit concluded that while many key governance and management controls are in place to support the delivery of IA program services, opportunities were identified to improve the implementation strategy for the IA program as it moves ahead with reform by: strengthening the consistency of practices across the regions; strengthening performance measures; and, clarifying the approach to compliance activities. The audit also concluded that there is a need to clarify certain organizational structure elements, such as roles and responsibilities, to adapt the current organization structure to align with the evolution of the IA program.

## ***Recommendations***

The audit identified areas where management practices and processes could be improved, resulting in the following four recommendations.

1. The Assistant Deputy Minister, Education and Social Development Programs and Partnerships (ESDPP) should ensure that an Implementation Strategy, that includes all of the key elements that are typical for a major change project such as Income Assistance reform, is prepared.
2. The Assistant Deputy Minister, Education and Social Development Programs and Partnerships (ESDPP) should ensure that a National Income Assistance Program Directive, at the right level of detail to support the consistent application of practices across the Regions in the management of the program, is prepared. The National Income Assistance Program Directive should provide clear and concise direction to support effective and efficient governance, management and administration, monitoring and compliance of the Income Assistance program that is delivered consistently across all Regions. The Directive should be communicated to all Regions to ensure that expectations are clear and understood.
3. The Assistant Deputy Minister, Education and Social Development Programs and Partnerships (ESDPP) should ensure that performance measurement targets, linked to the Income Assistance reform Implementation Strategy and overall Income Assistance program expected outcomes, as identified in the Performance Measurement Strategy, are established, communicated and tracked on a consistent basis.
4. The Assistant Deputy Minister, Education and Social Development Programs and Partnerships (ESDPP) should ensure that roles and responsibilities within AANDC and between AANDC and HRSDC are clarified to help manage coordination, governance and oversight for Income Assistance reform. This should include the establishment of governance committees with clear terms of reference.

# 1. BACKGROUND

The Audit and Evaluation Sector of Aboriginal Affairs and Northern Development Canada (AANDC) identified an Audit of the Income Assistance (IA) program in the 2012-13 to 2014-15 Risk-Based Audit Plan, approved by the Deputy Minister at the Audit Committee meeting held on February 23, 2012.

The audit was included in the plan on the basis of the following: the significance of annual expenditures of the IA program (>\$800M); the sensitivity of the program; and, the complexity of program delivery, considering that each province/territory establishes its own standards and the delivery model varies depending on the province/territory. Moreover, proposals are currently being considered to reform Income Assistance and an audit of the program has not been undertaken in a number of years.

The IA program is one of five social programs managed by the Social Policy and Programs Branch (SPPB) within the Education and Social Development Programs and Partnerships (ESDPP) Sector that collectively comprise over \$1.6 billion in annual program spending. The following table provides the actual expenditures from 2010-11 and 2011-12 and the planned expenditures for 2012-13.

Social Program	Actual Expenditures				Planned Expenditures	
	2010-11		2011-12		2012-13	
	\$ 000	%	\$ 000	%	\$ 000	%
<b>Income Assistance</b>	<b>823,522</b>	<b>51.12%</b>	<b>843,250</b>	<b>50.25%</b>	<b>865,771<sup>1</sup></b>	<b>50.63%</b>
<b>First Nations Child and Family Services</b>	<b>585,088</b>	<b>36.32%</b>	<b>655,012</b>	<b>39.04%</b>	<b>660,186</b>	<b>38.61%</b>
<b>Assisted Living</b>	<b>92,886</b>	<b>5.77%</b>	<b>99,928</b>	<b>5.96%</b>	<b>99,206</b>	<b>5.80%</b>
<b>Family Violence Prevention Program</b>	<b>32,336</b>	<b>2.01%</b>	<b>32,120</b>	<b>1.91%</b>	<b>34,783</b>	<b>2.04%</b>
<b>National Child Benefit Re-investment</b>	<b>48,905</b>	<b>3.04%</b>	<b>47,723</b>	<b>2.84%</b>	<b>49,914</b>	<b>2.92%</b>
<b>SUB-TOTAL</b>	<b>1,582,737</b>	<b>98.25%</b>	<b>1,678,033</b>	<b>100.00%</b>	<b>1,709,860</b>	<b>100.00%</b>
<b>Family Capacity Initiatives</b>	<b>28,198</b>	<b>1.75%</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>
<b>TOTAL</b>	<b>1,610,935</b>	<b>100.0%</b>	<b>1,678,033</b>	<b>100.00%</b>	<b>1,709,860</b>	<b>100.00%</b>

<sup>1</sup> This funding includes a one-time infusion of internal departmental resources for 2012-2013 to commence broader Active Measures work in line with the proposed program reforms.

The following table details actual expenditures for the IA program by region and HQ for 2010-11 and 2011-12 and the planned expenditures for 2012-13.

<b>Region / Sector</b>	<b>2010-11 Actual Expenditures \$ 000</b>	<b>2011-12 Actual Expenditures \$ 000</b>	<b>2012/13 Planned Expenditures \$ 000<sup>2</sup></b>
<b>ATLANTIC REGION</b>	<b>72,556</b>	<b>72,568</b>	<b>73,738</b>
<b>QUEBEC REGION</b>	<b>61,570</b>	<b>63,466</b>	<b>65,599</b>
<b>ONTARIO REGION</b>	<b>119,627</b>	<b>126,608</b>	<b>127,201</b>
<b>MANITOBA REGION</b>	<b>179,996</b>	<b>186,612</b>	<b>194,459</b>
<b>SASKATCHEWAN REGION</b>	<b>134,802</b>	<b>133,133</b>	<b>137,529</b>
<b>ALBERTA REGION</b>	<b>143,851</b>	<b>150,125</b>	<b>153,093</b>
<b>BC REGION</b>	<b>101,037</b>	<b>100,688</b>	<b>104,424</b>
<b>YUKON REGION</b>	<b>9,284</b>	<b>9,348</b>	<b>9,659</b>
<b>NUNAVUT REGION</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NWT REGION</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXECUTIVE OFFICE</b>	<b>422</b>	<b>-</b>	<b>-</b>
<b>CHIEF FINANCIAL OFFICER SECTOR</b>	<b>-</b>	<b>512</b>	<b>-</b>
<b>EDUCATION AND SOCIAL DEVELOPMENT PROGRAMS AND PARTNERSHIPS – NATIONAL CAPITAL REGION</b>	<b>377</b>	<b>190</b>	<b>69</b>
<b>Total</b>	<b>823,522</b>	<b>843,250</b>	<b>865,771</b>

The policy framework for AANDC's Income Assistance Program was approved by Cabinet in 1964. Its focus on meeting basic and special needs of individuals at rates and eligibility criteria of the reference province or territory has remained unchanged. In 2003 AANDC received policy authority to fund pre-employment supports (Active Measures). While some limited progress has been made in shifting the IA program from a passive to a more active program that supports clients transitioning to employment, large scale reform like that undertaken by the provinces and territories in the mid-1990s has not occurred on reserve. Today the program faces a number of fundamental challenges including: high rates of dependency; lack of comparability to provincial standards; lack of clarity in federal and provincial roles; and, inconsistencies in management controls across regions.

<sup>2</sup> This funding includes a one-time infusion of internal departmental resources for 2012-2013 to commence broader Active Measures work in line with the proposed program reforms.

To address these fundamental challenges, AANDC has been designing a policy framework for national IA program reform that has undergone continual revision and refinement since March 2011. The most recent policy proposal was finalized in late summer 2012 and is awaiting approval. The core elements of this reform include: a comprehensive compliance framework; enhanced delivery of active measures; increased federal program alignment and integration; and strengthened partnerships (First Nations, provincial, private and voluntary sectors).

IA reform is a significant initiative that AANDC will undertake over several years. Management has stated that it will focus on making IA truly a program of last resort by supporting clients in their efforts to prepare for and enter the labour market. Initial focus will be placed on young First Nations people living on reserve by redirecting them to pre-employment preparation, skills development and training activities in order to increase their employability. IA reform places increased emphasis on “Active Measures”, which are described on the AANDC website as supports to help Income Assistance recipients join the labour force in five ways:

- by providing greater access to career planning, skills development and employment counseling services;
- by providing greater access to literacy, adult basic education and workplace essential skills training;
- by providing transitional supports, such as training allowances, to improve access to short-term training opportunities;
- by providing supports, such as transportation and child care; and,
- by working with employers and industry to align skills with the demands of the labour market and economy.

An Active Measures Reserve Fund was created in 2009-10, and was utilized for three years by regional offices, to increase the capacity of First Nations communities to offer active measures and for IA recipients to increase their employability. In its three years of existence, the Fund provided \$5.9 million towards more than 45 pilot projects. These projects also received funding from other AANDC sources, other federal departments, provinces and First Nations. In 2012-13, investments in Active Measures increased and moved away from “pilot projects” in anticipation of policy approval of the longer term IA reform work which will be carried out in collaboration with Human Resources and Skills Development Canada (HRSDC).

The audit scope spanned two and a half years, from April 1, 2010 through September 30, 2012. During the period of the audit, SPPB has been redesigning and implementing a Management Control Framework for all 5 social programs. To date, this work has included:

- a new Social Programs National Manual that will replace existing regional manuals;
- new, more consolidated program terms and conditions that are compliant with the Policy on Transfer Payments;

- a Performance Measurement Framework – approved in 2011 – that reduces the number of social programs performance indicators from 292 to 18 (many of which are comparable with provincial social program performance indicators);
- revised recipient data collection instruments (DCIs) that significantly reduce the recipient reporting burden;
- a more robust and effective risk-based reporting regime; and,
- a compliance framework consisting of a directive, handbook, risk assessment tools and other tools.

These elements have been developed in close collaboration with a national working group consisting of SPPB staff, approximately 30 regional staff, and representatives from the Transfer Payments Centre of Expertise and Regional Operations.

During the first two quarters of fiscal year 2012-13, changes to IA program activities within the management control framework were noted. First, the new compliance framework was initially scheduled to be implemented starting in April 2012. This plan had to be revised, however, in light of policy revisions that occurred in the spring of 2012. Key decisions with respect to compliance activities had to be made prior to regions conducting further reviews. As at September 30, 2012, these decisions had not been finalized. Second, a change in the reporting requirements for First Nations, designed to reduce the reporting burden, has led to a reduction in reporting frequency by First Nations to AANDC and has shifted the focus of reports from more detailed to more summative.

## **2. AUDIT OBJECTIVE AND SCOPE**

### **2.1 *Audit Objective***

The objective of the audit was to assess the adequacy and effectiveness of the controls in place to support the design, delivery, and monitoring of the IA program, including compliance with relevant program authorities and Treasury Board and AANDC policy requirements. Specifically, the audit objective included an assessment of whether there were:

- Effective governance controls in place to support the delivery of efficient and effective IA program services;
- Effective controls in place to manage resources (HR and Financial) in support of the delivery of IA program service requirements; and
- Organizational structures in place with clear roles and responsibilities to effectively support delivery of the IA program.

## **2.2 Audit Scope**

The scope of the audit included a focus on the proposed changes to the program's proposed Management Control Framework related to Income Assistance reforms (including Active Measures), and was limited to AANDC's responsibilities in support of the program, both regionally and nationally. The scope did not include the operations on reserves themselves or the operations of Tribal Councils and provincial organizations that have assumed responsibility for the delivery of income assistance on behalf of AANDC (i.e. Ontario). Other government departments that will support AANDC's delivery of Active Measures programming going forward, including HRSDC, were interviewed as part of the audit. The audit scope covered the period from April 1, 2010 through September 30, 2012.

The scope also included the Management Accountability Framework and Core Management Control elements that help ensure effective governance, stewardship and accountability:

- Governance – focused on AANDC Headquarters' oversight and monitoring of the IA program including Active Measures;
- Stewardship – focused on AANDC Headquarters' and Regions' budgeting, forecasting and monitoring, Regional and National General Assessments and reporting to Headquarters; and
- Accountability – focused on AANDC Headquarters' and Regions' organizational structure to support the IA program and clarity of related roles and responsibilities.

Site visits were conducted in Alberta, Saskatchewan, Manitoba and Quebec as part of the audit. These regions were selected during the planning phase of the audit based on consideration of the annual expenditures, input from management, and the objective to examine different delivery models utilized by regional offices.

## **3. APPROACH AND METHODOLOGY**

Sufficient and appropriate audit procedures have been conducted and evidence gathered to support the audit conclusion provided and contained in this report.

### **3.1 Planning**

During the planning phase, the audit clarified the audit objective, scope and criteria to be used. This was completed based on a number of interviews conducted with management from SPPB HQ and Regional Operations as well as representatives from AANDC regional offices, and HRSDC, and a review of documentation, including the results of previous audits and evaluations. The approach used to address the audit objective included the development of audit criteria against which observations, assessments and conclusions were drawn. The audit criteria developed for this audit are included in Appendix A.

## **3.2 Conduct**

The conduct phase consisted of in-depth documentation review, interviews with representatives from HQ and regional offices, process walkthroughs, regional site visits (Alberta, Saskatchewan, Manitoba and Quebec) and detailed testing of a sample of funding agreements. The four regions selected for a site visit comprised approximately 62% of the total budgeted expenditures for the IA program for the 2012-13 fiscal year. Site visits to these regions provided an opportunity to examine four regional approaches to delivery of income assistance as well as the approaches taken for Active Measures.

## **3.3 Reporting**

ESDPP management were briefed on the preliminary findings resulting from this audit in advance of the draft report. This provided an opportunity for management to understand the findings, confirm facts and consider potential responses to address any areas identified that may require management action.

## **4. CONCLUSION**

The audit concluded that while many key governance and management controls are in place to support the delivery of IA program services, opportunities were identified to improve the implementation strategy for the IA program as it moves ahead with reform by: strengthening the consistency of practices across the regions; strengthening performance measures; and, clarifying the approach to compliance activities. The audit also concluded that there is a need to clarify certain organizational structure elements, such as roles and responsibilities, to adapt the current organization structure to align with the evolution of the IA program.

## **5. FINDINGS AND RECOMMENDATIONS**

Based on the evidence gathered through the examination of documentation, analysis and interviews, and sample testing, each area of management (governance, stewardship and accountability) was assessed and a conclusion for each was determined. Where a significant difference between the audit criterion and the observed practice was identified, the potential impact of the gap was evaluated and a recommendation for improvement was provided.

The audit identified weaknesses in the design and operating effectiveness of management controls, resulting in four recommendations. The findings and recommendations of the audit are organized according to the areas of management assessed (governance, stewardship and accountability). Each section identifies the positive practices as well as the areas for improvement to existing management practices and controls.

### **5.1 Governance over Implementation of Income Assistance Reform**

#### **5.1.1 Implementation Strategy**

SPPB provides governance and oversight of the IA program through various mechanisms including: the provision of program design, policy development, procedures and guidance including eligibility criteria; establishment of compliance, monitoring and reporting requirements;

and conducting reviews of regional management and administrative practices. The audit noted that these have been in effect over the period April 1, 2010 through March 31, 2012. SPPB also provides governance and oversight of the IA reform which was reflected in part through the Active Measures Reserve Fund, which commenced April 1, 2009 and wrapped up March 31, 2012.

IA reform is a significant undertaking that builds on Active Measures at the regional level and moves delivery of active measures to a national scale with a focus on young Aboriginal adults and their transition to employment. The framework for reform underwent refinement during the same period as the scope of this audit and is awaiting final approval that is expected in the fall of 2013.

In fiscal year 2012-13, SPPB commenced a number of initiatives in anticipation of approval of the IA reform proposal, including the discontinuance of the Active Measures Reserve Fund, as well as in support of the broader management reforms to all five social programs including the implementation of a National Social Programs Manual (detailed program guidance designed to support the delivery of all five Social Programs funded by AANDC), changes to the compliance approach and changes to SPPB program reporting requirements of First Nations. The audit expected that IA reform would be treated as a large project implementation that would include generally accepted project management practices. This includes a documented implementation strategy that would cover the key elements of:

- rationale for the proposed change;
- vision for the future;
- impact analysis;
- organization readiness for transformation;
- stakeholder management strategy and plan;
- workforce transition plan; communications strategy and plan; and
- change management performance outcomes.

A number of these elements have been documented, such as the overall policy framework for reform, Headquarters (SPPB) organizational changes, and communications. The IA reform would benefit from a more comprehensive implementation strategy, which we understand is currently being designed and drafted.

### Project management

The audit considered governance of the IA program to be SPPB management's oversight and monitoring of both the program and IA reform, including Active Measures. There was little substantive change to the approach to managing the IA program both at Headquarters and in the Regions during fiscal years 2010-11 and 2011-12. During that time, key program activities consisted of funding agreement preparation, monitoring of reporting requirements, compliance

work (on-site and desk reviews) and engagement with and communication between AANDC Headquarters (SPPB, Regional Operations and CFO Sector), AANDC regional offices, First Nations, provinces and other stakeholders. In addition, no changes to IA program oversight and monitoring practices between Headquarters and Regions were made during this time period. The approach followed for Active Measures over this timeframe was based on an annual reserve fund of approximately \$2.0M, which was provided to Regions based on pilot project submissions to implement a variety of projects to build capacity and capability.

The fiscal year 2012-13 included a number of changes to the IA program's management and delivery that impact oversight and monitoring. The Department has been working to renew its IA program from a relatively passive approach, to a more active approach that is more consistent with provincial changes to social assistance. The goal of IA reform is to help income assistance recipients move from dependency toward employment and enhance First Nations' service delivery capacity. Changes noted during the audit scope period included:

- A move from an Active Measures Reserve Fund to a more stable funding model to support IA reform that envisions an enhanced case management model and coordination with HRSDC;
- The implementation of a new DCI for the IA program and for Active Measures;
- The implementation of a new National Social Programs Manual (January 2012); and,
- The implementation of a new Compliance Handbook, SPPB (February 2012).

These are positive steps as part of the IA reform and reflect a joint effort between three of the four directorates within SPPB (Income Support; Income Assistance Reform; and, Operations and Quality Management). It was noted during the interviews that the Income Assistance Reform unit, responsible for leading the IA reform, has not been fully staffed and the roles and responsibilities have not been fully defined.

### Communication

Communication channels were noted to exist between Regions and First Nations, Regions and Provinces and Regions and Headquarters. Regions and First Nations communication is facilitated in a variety of ways through communiqués, emails and face to face meetings. Funding Services Officers have direct relationships with the Income Assistance Administrators and Band Management. The audit also noted examples of working groups coordinated in Regions.

Interviews in Regions and Headquarters consistently noted that communication occurs between Regions and Headquarters through a combination of scheduled conference call meetings as well as ad-hoc emails and phone calls between SPPB, Regional Operations and Corporate Services. Examples of communications provided by SPPB include:

- A series of national face to face meetings and videoconference calls between the IA Reform unit and regional staff when designing the IA reform strategy;
- Weekly ADM-DG level calls occurred from Sept 2011 to March 2012;

- HQ-regional working groups tasked with program design to inform the development of the reform workplan;
- Bi-weekly calls, on-line training session, national face to face meetings and regional visits by HQ staff to discuss changes to program management, compliance and reporting;
- Secondment of two regional staff to HQ to assist with compliance roll out that began implementation during the third quarter of 2012/13; and,
- A series of calls with ARDGs throughout the summer of 2012 to deal with compliance issues.

Regions consistently noted that feedback provided to SPPB during consultation on proposed changes to monthly reporting by First Nations was not reflected in the new 2012-13 DCI report. This report, which is prepared by First Nations and submitted to AANDC on a periodic basis (monthly, quarterly or annually), is used by AANDC regional offices to align the flow of income assistance funding to the current needs of the First Nation. Interviewees from SPPB Headquarters and Regions agreed that there were consultations leading up to the change of the DCI report, however the issue noted, and described in more detail in observation 5.2.1 below, is that the new format does not provide Regions with sufficient information to manage the flow of IA funds to First Nations during the year or to conduct desk reviews, a requirement of the SPPB Compliance Manual.

The audit recognizes that SPPB is in the process of a number of changes in the management of the IA program. Improvements to the effectiveness of communication and change management would further help leverage regional experience and expertise to support the implementation of consistent and successful change and to foster buy-in to the changes.

### **Recommendation**

1. The Assistant Deputy Minister, Education and Social Development Programs and Partnerships Sector should ensure that an Implementation Strategy, that includes all of the key elements that are typical for a major change project such as Income Assistance reform, is prepared.

#### **5.1.2 IA Program Policy and Directives**

SPPB provides policy direction and guidance for Regions who are responsible for the operation of the IA program in their region. Regions are supported by SPPB and by Regional Operations. Key documents, used by HQ and Regions to manage and administer the IA program, include:

- Social Programs National Manual - to provide the necessary information to support the delivery of the five (5) Social Programs funded by AANDC;
- Compliance Directive - to aid in the management of program compliance reviews through the use of processes and tools necessary to achieve national consistency;

- Compliance Handbook - provides a detailed overview of steps, procedures and tools necessary to conduct compliance activities in an effective and efficient manner; and
- Regional Social Policies - three of the four Regions in scope have social policy documents that provide detail guidance and direction to manage and administer social program(s) including IA.

To further support the consistency of management controls across Regions, SPPB Headquarters issued and approved Chapter 5 – Social Programs – National Manual in January 2012. Interviews with SPPB Headquarters representatives indicated that, based on a need for consistency of the management of the IA program across Regions, a single National Manual was required. However, during the audit’s regional site visits, the need for a Regional-specific policy document to provide more specific and consistent direction to Income Assistance Administrators (who are located on site at the First Nation or Tribal Council office) to support the administration of the IA program was consistently noted by regional offices. This need was evidenced by the existence of regionally-specific social development policies at each of the in-scope Regions visited.

Interviews with SPPB representatives noted consistently that the intent of the National Manual is to be the sole document for use across Regions and will be augmented with the use of regional-specific appendices that detail provincial/territorial program requirements (e.g. eligibility criteria and rates). The program management policy set by SPPB at Headquarters to have one National Manual supported by appendices would help to promote consistency of program management controls that all Regions need to perform, including compliance.

Our review of Regional IA program policies noted three of the four regional offices visited continue to maintain a region specific document (see table below). These documents are very large in some cases, out of date in others, and the approach to maintaining them varies across Regions. Interviewees noted that the policies are updated for changes to the provincial rates and eligibility.

The following table documents our observations related to regional IA program manuals.

<b>Alberta</b>		
<b># of pages</b>	<b>Last revised</b>	<b>Content / Approach to Update Regional Policy</b>
181	November 2011	Content – Income Support Entire document updated for changes
<b>Saskatchewan</b>		
<b># of pages</b>	<b>Last revised</b>	<b>Approach to Update Regional Policy</b>
304	May 2012	Content – all Social Programs Entire document updated for changes

<b>Manitoba</b>		
<b># of pages</b>	<b>Last revised</b>	<b>Approach to Update Regional Policy</b>
530	April 2007	Content – Income Assistance Program Region sends out updates to IA Administrators
<b>Quebec</b>		
<b># of pages</b>	<b>Last revised</b>	<b>Approach to Update Regional Policy</b>
Not applicable	Not applicable	The Region follows the National Social Programs Manual  Provincial standards interpretation manual available on-line (« <i>Manuel provincial d'interprétation normative des programmes d'aide financière</i> »)  The First Nation of Quebec and Labrador Health and Social Services Commission sends out updates to IA Administrators

National consistency in the application of the IA program is a key goal of SPPB. To promote consistent application, IA program activities would be well served by the implementation and communication of relevant policy instruments including a National Directive. A National Directive should be developed to provide clear and concise direction to support effective and efficient governance, management and administration, monitoring and compliance of the IA program that is delivered consistently across all Regions. The goal of this directive would be to reduce the duplication that currently exists with Regional social program policy and compliance documents and to improve understanding and consistency of application of the National Social Programs Manual across all Regions. The directive should provide the key practices, procedures and controls to consistently manage and administer the IA program and should include: governance; roles and responsibilities; monitoring; program requirements such as eligibility; and compliance (i.e. desk reviews, on-site reviews, and audited financial statement review). The compliance documentation developed by SPPB should be incorporated into the National Directive and other related documents should be reviewed to assess whether they are required in the future.

### **Recommendation**

2. The Assistant Deputy Minister, Education and Social Development Programs and Partnerships Sector should ensure that a National Income Assistance Program Directive, at the right level of detail to support the consistent application of practices across the Regions in the management of the program, is prepared. The National Income Assistance Program Directive should provide clear and concise direction to support effective and efficient governance, management and administration, monitoring and compliance of the Income Assistance program that is delivered consistently across all Regions. The Directive should be communicated to all Regions to ensure that expectations are clear and understood.

### **5.1.3 Performance Measurement**

Performance measurement targets are not in place for the IA program. In a 2007 preliminary survey of the IA program conduct by the Audit and Evaluation Sector, it was noted that, “clear performance measures, results indicators and targets are lacking”<sup>3</sup>. The audit observed some limited reporting of performance targets in Quarterly Reports for the IA program (e.g. dependency rates). In aid of the establishment of informed performance targets, SPPB has developed a new Performance Measurement Strategy, new performance indicators for the IA program, formulae for measuring the indicators, and new DCIs. As of February 2011, a Performance Measurement Strategy for all social programs was approved, streamlining the number of key performance indicators from 292 to 18, including income assistance dependency rate. Performance targets have not been established for the IA program.

#### **Recommendation**

3. The Assistant Deputy Minister, Education and Social Development Programs and Partnerships Sector should ensure that performance measurement targets, linked to the Income Assistance reform Implementation Strategy and overall Income Assistance program expected outcomes, as identified in the Performance Measurement Strategy, are established, communicated and tracked on a consistent basis.

## **5.2 Stewardship**

### **5.2.1 Planning, Budgeting and Forecasting**

The audit reviewed the annual planning, budgeting and forecasting processes for SPPB Headquarters and for the four Regions visited. HQ key stewardship practices noted included: strategic planning, operational planning, annual budgeting, monitoring and forecasting. All of the Regions visited follow similar processes, as directed by Headquarters, commencing with Regional planning. Regional practices included the preparation of a business plan, operational plan and a social program work plan. This practice helps to clarify the priorities for the coming year and provides a clear line of sight to operational objectives aligned with ESDPP and regional strategic goals. The Active Measures initiative was noted on the regional business and operational plan as well as in the social program work plan.

Annual budgeting commences in the fall with an initial consideration of the prior year budget combined with changes noted in the current fiscal period, expected changes to eligibility and/or rates, and budget decisions made centrally. As the end of the fiscal year approaches, management forecasts the expected actual IA program expenditures for the given year. This forecast is obtained through a combination of First Nation periodic reporting (i.e. monthly or quarterly) through DCIs, Regional Funding Services Officers’ communication with individual First Nations, and liaison with provincial counterparts to understand any anticipated changes to provincial income assistance rates or eligibility. Corporate Services in Regions coordinate the budget and year-end reporting with SPPB Headquarters and the Regional Operations Sector.

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<sup>3</sup> Performance Measurement Strategy pg 56 (February 22, 2011)

Quarterly reporting is prepared by each Region and submitted to Headquarters (Policy and Strategic Direction and Regional Operations). The Quarterly Reports from Regions include a number of objectives related to all programs being delivered by the Region as well as those related to internal corporate services such as HR, Finance and IT. Regional business plans and operating plans are also prepared and examples were reviewed during the audit. The audit consistently noted that Regional Quarterly reports included the status of the IA program, including Active Measures.

### 5.2.2 Regional Offices

The audit conducted walkthroughs at each of the regional offices visited to understand the process followed to manage the IA program:

- Drafting and executing funding agreements;
- Monitoring reporting provided by First Nations;
- Planning, conducting, reporting and following-up on compliance activities;
- Approach to Active Measures; and,
- Awareness of provincial eligibility and/or rate changes.

The following table provides a high level comparison of the approaches taken in each Region for monitoring/compliance and funding/cash flow management over the period April 1, 2010 through September 30, 2012.

Region	Monitoring/Compliance	Funding / Cash Flow Management
Alberta (AB)	<ul style="list-style-type: none"> <li>• Apr 1, 2010 through Mar 31, 2012               <ul style="list-style-type: none"> <li>- On-site compliance contracted out (completed 15 and 14 on-site reviews in 2010-11 and 2011-12, respectively)</li> <li>- Desk reviews completed using statistical summary reporting from First Nations</li> </ul> </li> <li>• Apr 1, 2012 through Sept 30, 2012               <ul style="list-style-type: none"> <li>- No on-site compliance completed, awaiting HQ direction</li> <li>- The Region noted that they obtain “other records” that are used to perform desk reviews</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Apr 1, 2010 through Mar 31, 2012               <ul style="list-style-type: none"> <li>- Detailed statistical reporting provided monthly</li> <li>- Review the monthly expenditures using a rolling three month average combined with other information from FSOs to make in-year adjustments to monthly payments</li> </ul> </li> <li>• Apr 1, 2012 through Sept 30, 2012               <ul style="list-style-type: none"> <li>- In addition to DCI report, First Nations still providing detailed statistical monthly reporting (“other records”) which are used by Region to manage funding payments</li> </ul> </li> </ul>

Region	Monitoring/Compliance	Funding / Cash Flow Management
Saskatchewan (SK)	<ul style="list-style-type: none"> <li>• Apr 1, 2010 through Mar 31, 2012 <ul style="list-style-type: none"> <li>- On-site compliance contracted out (completed 21 and 20 on-site reviews in 2010-11 and 2011-12, respectively)</li> <li>- Desk reviews completed using statistical summary reporting from First Nations</li> </ul> </li> <li>• Apr 1, 2012 through Sept 30, 2012 <ul style="list-style-type: none"> <li>- No on-site compliance completed, awaiting HQ direction</li> <li>- No desk reviews possible with current DCI reporting format, Regional FSO and data clerk are working to coordinate “desk reviews” on-site</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Apr 1, 2010 through Mar 31, 2012 <ul style="list-style-type: none"> <li>- Detailed statistical reporting provided monthly</li> <li>- Review the monthly expenditures</li> </ul> </li> <li>• Apr 1, 2012 through Sept 30, 2012 <ul style="list-style-type: none"> <li>- The DCI report does not provide sufficient details to validate the admissibility of the expenditures made by the First Nation</li> </ul> </li> </ul>
Manitoba (MB)	<ul style="list-style-type: none"> <li>• Apr 1, 2010 through Mar 31, 2012 <ul style="list-style-type: none"> <li>- On-site compliance conducted by Regional compliance officers (completed 29 and 13 on-site reviews in 2010-11 and 2011-12, respectively)</li> <li>- Desk reviews completed using statistical summary reporting from First Nations</li> </ul> </li> <li>• Apr 1, 2012 through Sept 30, 2012 <ul style="list-style-type: none"> <li>- No on-site compliance completed, awaiting HQ direction</li> </ul> </li> <li>• No desk reviews possible with current DCI reporting format, Regional FSO and data clerk are working to coordinate “desk reviews” on-site</li> </ul>	<ul style="list-style-type: none"> <li>• Apr 1, 2010 through Mar 31, 2012 <ul style="list-style-type: none"> <li>- Detailed statistical reporting provided monthly</li> <li>- Review the monthly expenditures</li> <li>- Results of compliance impacted past and future funding</li> </ul> </li> <li>• Apr 1, 2012 through Sept 30, 2012 <ul style="list-style-type: none"> <li>- The DCI report does not provide sufficient details to validate the admissibility of the expenditures made by the First Nation</li> </ul> </li> </ul>

Region	Monitoring/Compliance	Funding / Cash Flow Management
Quebec (QC)	<ul style="list-style-type: none"> <li>• Apr 1, 2010 through Mar 31, 2012 <ul style="list-style-type: none"> <li>- On-site compliance contracted out in 2010-11 and conducted by Regional staff</li> <li>2011-12 (completed 1 and 1 on-site reviews in 2010-11 and 2011-12, respectively)</li> <li>- Desk reviews completed using statistical summary reporting from First Nations</li> </ul> </li> <li>• Apr 1, 2012 through Sept 30, 2012 <ul style="list-style-type: none"> <li>- No on-site compliance completed, awaiting HQ direction</li> </ul> </li> <li>• No desk reviews possible with current DCI reporting format</li> </ul>	<ul style="list-style-type: none"> <li>• Apr 1, 2010 through Mar 31, 2012 <ul style="list-style-type: none"> <li>- Detailed statistical reporting provided monthly for First Nations under annual agreement</li> <li>- Review the monthly expenditures</li> </ul> </li> <li>• Apr 1, 2012 through Sept 30, 2012 <ul style="list-style-type: none"> <li>- The DCI report does not provide sufficient details to validate the admissibility of the expenditures made by the First Nation, Region follows up with phone calls to IAP Administrators</li> </ul> </li> </ul>

As noted in the table above, a number of inconsistencies were identified in the nature and timing of procedures performed at the various regional offices.

### 5.2.3 Detailed Review of a Sample of Funding Agreements

In addition to walkthroughs of the IA program process that were conducted during each Regional site visit, a sample of funding agreements at each location were selected for detailed testing. The objective of this testing was to review the process followed in each Region to manage the IA program. Individual funding agreements were selected for First Nation recipients over the audit scope period. The following elements were tested for each funding agreement selected:

- Funding agreement approvals;
- Frequency of recipient reporting (i.e. monthly, quarterly or annual); and,
- Compliance completed by the Regional office.

Based on the results of these reviews, it was noted that funding agreements were consistently prepared and approved in advance of the new fiscal year (April 1<sup>st</sup>).

### 5.2.4 Compliance

Compliance activities generally consist of three approaches: i) desk reviews using information provided by First Nations; ii) on-site reviews to test compliance for a sample of IA recipient files; and iii) a review of audited financial statements submitted by First Nations.

On site compliance reviews and desk reviews were appropriately planned, scoped, conducted and followed up on for agreements selected in each region visited from 2010-11 and 2011-12. In some cases, Regions outsourced on-site compliance reviews to external auditors while other Regions had their own compliance officers complete the on-site compliance reviews. Based on discussions with SPPB HQ, regional compliance reviews were not planned for Q1 and Q2 (2012-13) due to changes in the approach to the planning and conduct of compliance reviews. As a result, no on-site compliance reviews were conducted during this period. SPPB noted however, that the plan was to complete a number of these reviews during Q3 & Q4 of 2012-13. Each Region consistently completed on-site compliance reviews and desk reviews over the period April 1, 2010 through March 31, 2012.

SPPB issued a Compliance Handbook on February 29, 2012 that outlined the compliance review approach to be followed by all Regions. The handbook states “regional compliance reviews will include the confirmation of recipient documentation, contacting the recipient, timely assessments of recipient reports (financial and performance), periodic review of project progress, in office desk reviews of reports and supporting documentation, pre-admission screening of eligible individuals and on-site visits to the recipient”. SPPB intended to have full implementation of the compliance review approach by April 1, 2012.

Full implementation had not occurred during the first two quarters of 2012-13. Interviews noted that other departmental priorities, most notably the Deficit Reduction Action Plan, has pushed full implementation of the compliance manual to a later date. As of November 2012, SPPB was working with Regions to identify recipients to be included in compliance reviews that will include a combination of on-site and in office reviews. It is the intention of SPPB to complete compliance reviews for 100% of First Nation recipients over the fiscal years 2012-13 and 2013-14. The results of these initial compliance reviews will be used as a benchmark as the compliance program transitions towards a more risk-based approach.

Interviews conducted in regional offices noted that regions did not conduct on-site compliance reviews in Q1 and Q2 of 2012-13, as they awaited direction from SPPB. In some cases, the lack of funds to pay for travel to First Nation communities was noted as an additional barrier to conducting on-site compliance reviews. SPPB officials confirmed that \$1.8 million was approved in July 2012 for regional compliance activities, including travel. Allocations were made to regions after September 2012, once regional plans were in place.

Regions also noted an inability to complete in-office desk reviews due to the limited information that is provided on the Income Assistance DCI report that was introduced by SPPB Headquarters for 2012-13. Over the period April 1, 2010 through March 31, 2012, Regional offices noted that they conducted desk reviews of the detailed statistical summary reports submitted by First Nations. This analysis provided insight into the eligibility of expenses and rates used and supported the timely in-year adjustments of payments to First Nation recipients in those instances where expenditures were either not eligible or rates were incorrect.

The audit noted that the Alberta Region took an approach of obtaining the detailed information previously provided under the old DCI by requesting “other records”, as permitted by the Funding Agreement, to continue performing desk reviews and to support monthly forecasting of income assistance payments made to each First Nation. The other Regions visited had not

conducted desk reviews for the 2012-13 due to the lack of detailed information contained in the new DCI reports.

HQ needs to work with Regions to coordinate the conduct of on-site compliance work which should consider the results of the annual General Assessment and Regional FSO knowledge of risks associated with the First Nation. In addition, a common approach to conducting desk reviews should be implemented with input from Regions who are currently conducting desk reviews.

The audit team was informed that the CFO Sector is planning to conduct a number of recipient audits. SPPB should coordinate the conduct of any on-site compliance reviews with the CFO Sector to help ensure the same recipient is not subjected to both an on-site compliance review at the same time as a recipient audit. There may be opportunities to consider the objectives of each and combine efforts where possible and appropriate.

### **Recommendation**

See recommendation #2.

## **5.3 Accountability**

### **5.3.1 Roles and responsibilities**

IA reform is a significant undertaking and roles within SPPB have changed and continue to evolve. Interviews during the conduct phase of the audit noted that roles and responsibilities were not clearly defined and communicated within AANDC and between AANDC and HRSDC. Interviews also noted that there has not been a lot of coordination of IA reform activities between HRSDC and AANDC, as IA reform has yet to receive the required approvals.

The audit understands that interdepartmental governance and oversight will be addressed as part of the IA reform process – this is a key control as this role will include coordination, governance and oversight to a complex change to the IA program.

The IA program is managed through a matrix organization that includes the SPPB, Regional Operations, the Chief Financial Officer Sector, regional offices and other external stakeholders. A breakdown of the roles and responsibilities for the IA program, as noted through SPPB documentation and interviews, is provided in Appendix B. Roles and responsibilities assigned to the various parties during the period April 1, 2010 through March 31, 2012 were clear and remained relatively stable. The reorganization of SPPB and the appointment of a Director of IA Reform to lead this key initiative commenced April 1, 2012. As a result, the roles and responsibilities noted in Appendix B will need to be clarified to reflect changes resulting from IA Reform implementation.

Although individual Regions are structured differently, each Region has similar functions supporting and managing the IA program. The following table summarizes for each in-scope Region, the functional components that support the management and delivery of the IA program in the Regions, both aligned to the responsible Regional Directorate.

Functional components supporting the IA program aligned to Regional Directorate							
Region	Social Development	Funding Services Officer	Transfer Payments	Desk Reviews	On Site Compliance	Active Measures	Budgeting
AB	Social Programs and First Nations Relations, Treaty 8	Corporate and Funding Services	Corporate and Funding Services	Social Programs and First Nations Relations, Treaty 8	Corporate and Funding Services	Social Programs and First Nations Relations, Treaty 8	Corporate and Funding Services
SK	Funding Services	Field Operations	Funding Services	Field Operations	Field Operations	Land and Economic Development	Corporate Services
MB	Programs and Partnerships	Funding Services Operations	Funding Services Operations	Funding Services Operations	Funding Services Operations	Program and Partnerships	Corporate Services
QC	Education and Social Development Programs and Partnerships	Funding Services	Funding Services	Corporate Services	Corporate Services	Education and Social Development Programs and Partnerships	Corporate Services

The information detailed above illustrates how complex the accountability and roles and responsibilities are for the IA program. There are a significant number of stakeholders including AANDC (Headquarters and Regions), other Federal and Provincial/Territorial government departments and First Nation recipients who will each have a role to play in IA reform. IA reform and Active Measures is an attempt, similar to that made by provinces, to shift income assistance “from passive systems that focused on issuing cheques to more active systems that emphasize case management”<sup>4</sup>. Given the challenge and complexity of IA reform, it is very important that roles and responsibilities are clear and communicated both within the AANDC HQ and Regions and between AANDC and HRSDC.

### Recommendation

4. The Assistant Deputy Minister, Education and Social Development Programs and Partnerships should ensure that roles and responsibilities within AANDC and between AANDC and HRSDC are clarified to help manage coordination, governance and oversight for Income Assistance reform. This should include the establishment of governance committees with clear terms of reference.

<sup>4</sup> Income Assistance Program and Pre-employment Training and Support Fact Sheet, December 16, 2009

## 6. MANAGEMENT ACTION PLAN

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
<p>1. The Assistant Deputy Minister (ADM), Education and Social Development Programs and Partnerships (ESDPP) should ensure that an Implementation Strategy, that includes all of the key elements that are typical for a major change project such as Income Assistance reform, is prepared.</p>	<p>We concur. Social Policy and Programs Branch, in collaboration with our counterparts at Human Resources and Skills Development Canada have already commenced the development of an interdepartmental Implementation Strategy to guide the roll out of the Income Assistance Reform initiative. The strategy is being viewed as an evergreen document that will be updated throughout the four year life of the reform initiative. The Strategy will address the overall vision/goals for reform, anticipated key results and timelines for implementation, and describe departmental (AANDC and HRSDC) responsibilities and commitments to advancing the strategy. The strategy will also address stakeholder engagement, communications, and management accountability/performance expectations.</p>	<p>ADM, ESDPP</p>	<p>Draft Strategy by April 2013.  Updated Strategy by June 2013</p>
<p>2. The Assistant Deputy Minister (ADM), Education and Social Development Programs and Partnerships (ESDPP) should ensure that a National Income Assistance Program Directive, at the right level of detail to support the consistent application of practices across</p>	<p>We concur. As part of its five-year change management agenda for improving the management and delivery of AANDC's 5 social programs the Social Policy and Programs Branch had already planned for the development of a Social Programs Directive</p>	<p>ADM, ESDPP</p>	<p>Draft Directive by September 2013  Final Directive by December 2013</p>

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
<p>the Regions in the management of the program, is prepared. The National Income Assistance Program Directive should provide clear and concise direction to support effective and efficient governance, management and administration, monitoring and compliance of the Income Assistance program that is delivered consistently across all Regions. The Directive should be communicated to all Regions to ensure that expectations are clear and understood.</p>	<p>that would include the Income Assistance Program. Development of the Directive is slated for 2013-2014 and will provide broad direction with respect to how the programs are to be governed, managed and administered. The Directive will be shared in draft with regions before being finalized. The final Directive will be communicated to all regions and will be made available on-line.</p>		
<p>3. The Assistant Deputy Minister (ADM), Education and Social Development Programs and Partnerships (ESDPP) should ensure that performance measurement targets, linked to the Income Assistance reform Implementation Strategy and overall Income Assistance program expected outcomes, as identified in the Performance Measurement Strategy, are established, communicated and tracked on a consistent basis.</p>	<p>We concur. Social Policy and Programs Branch and Human Resources and Skills Development Canada are currently working to develop a joint (horizontal) Income Assistance Reform Performance Measurement Strategy. The Strategy will include a logic model, key performance targets, indicators, and data sources. Targets and results will be identified and tracked on a regular basis and results will be communicated to stakeholders as well as the public according to approved interdepartmental guidelines.</p>	<p>ADM, ESDPP</p>	<p>Draft PMS by March 31, 2013  Approved PMS before June 2013</p>

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
<p>4. The Assistant Deputy Minister (ADM), Education and Social Development Programs and Partnerships (ESDPP) should ensure that roles and responsibilities within AANDC and between AANDC and HRSDC are clarified to help manage coordination, governance and oversight for Income Assistance reform. This should include the establishment of governance committees with clear terms of reference.</p>	<p>We concur. An interdepartmental policy and program accountability structure is being developed and will be operationalized by June 2013. This structure includes defined oversight bodies with representatives from both departments at both the headquarters and regional levels (as well as representation from other implicated departments and central agencies). This structure will provide enhanced governance and coordination capacity for IA reform implementation, which will be complementary to both departments' existing program and fiscal accountability processes.</p>	<p>ADM, ESDPP</p>	<p>Policy and Program Accountability Structure defined by March 31, 2013</p> <p>Structure to be operationalized by June 2013</p>

## Appendix A – Audit Criteria

The following table summarizes the audit criteria for this engagement.

Line of Enquiry	Audit Criteria
<b>Governance</b> <b>- AANDC HQ oversight and monitoring of IA Program including Active Measures.</b>	
<b>To assess whether there are effective governance controls in place to support the delivery of efficient and effective IA program services.</b>	<p>1.1.a. A Senior Management Committee and an independent Departmental Audit Committee (or similar independent body) is established.</p> <p>1.1.b. Members collectively possess sufficient knowledge, experience and time to exercise a meaningful oversight function.</p> <p>1.1.c. The oversight bodies meet regularly (i.e., 4 times per year at a minimum), are well attended and receive key information to allow for effective and efficient monitoring of management’s objectives, strategies and results.</p> <hr/> <p>1.2.a. Operating objectives and priorities exist for all key activities in the IA program, are documented and linked to strategic objectives and priorities.</p> <p>1.2.b. Objectives are effectively communicated via the intranet, communiqués, town hall sessions, etc. to staff, and external stakeholders.</p> <hr/> <p>1.3.a. The oversight bodies information requirements are identified and communicated in a timely basis.</p> <p>1.3.b. Financial and non-financial information is provided to members of the oversight body in advance of the scheduled meeting date to permit sufficient time to review and come prepared to meetings, including:</p> <ul style="list-style-type: none"> <li>- financial statements and other periodic reporting; and</li> <li>- major program initiatives.</li> </ul> <p>1.3.c. Information presented is relevant, accurate and has been the subject of quality assurance.</p> <hr/> <p>1.4.a. Formal communication processes / mechanisms exist and support sharing of timely, relevant and reliable information to users and other external stakeholders.</p> <p>1.4.b. Suggestions, complaints and other input are captured and communicated to relevant internal parties.</p> <p>1.4.c. Follow-up procedures exist to help ensure input and feedback is responded to in a timely fashion.</p>

Line of Enquiry	Audit Criteria
	<p>Change initiatives refer to the reforms for IA program that includes Active Measures.</p> <p>1.5.a. Standard systems development and project management methodologies for the implementation of change initiatives are in place and are adhered to.</p> <p>1.5.b. Processes and practices related to change management are in place and are well communicated to promote appropriate consultation and buy-in with respect to the change. This includes:</p> <ul style="list-style-type: none"> <li>- tools and guidance for effecting change and reacting to change are available to managers and employees; and</li> <li>- processes exist for the prioritization and categorization of change initiatives.</li> </ul> <p>1.5.c. Management’s tone at the top reflects a commitment to learning and change management.</p> <hr/> <p>1.6.a. Monitoring is conducted on a regular basis and performance and financial results are documented and reported to the required management level.</p> <p>1.6.b. Program evaluation activities are used to identify policy and program strengths, weaknesses and impacts (intended and unintended) as well as alternative ways of designing policies, programs and initiatives.</p> <p>1.6.c. Senior management (decision-makers) are involved in a regular review of the results from consultation, research and analysis.</p> <hr/> <p>Consider Active Measures and other reforms for IA program.</p> <p>1.7.a. Significant change initiatives and management actions are communicated to the appropriate people on a timely basis.</p> <p>1.7.b. Change management techniques employed by the organization contribute to open communication among team members.</p>
	<p><b>Stewardship</b></p> <p><b>- AANDC HQ and Regions – Budgeting, forecasting and monitoring; Regional and National General Assessments; and, Reporting to HQ</b></p> <p><b>- Regions – Agreement development; Regional compliance approach; reporting from First Nations; and data collection/analysis, monitoring, compliance and follow-up</b></p>

Line of Enquiry	Audit Criteria
<p><b>To assess whether there are effective controls in place to manage the resources (HR and Financial) to support the delivery of the service requirements of the IA program.</b></p>	<p>2.1.a. A clear budget schedule is prepared and provided to key participants in advance of budget process. 2.1.b. The line items of the budget (for IA program) can be clearly linked with organizational objectives.</p>
	<p>2.2.a. The budget can be disaggregated such that individuals with budget authority and responsibility are clearly aware of their budget amount. 2.2.b. Budgets are at an appropriate level of detail for each management level.</p>
	<p>For purposes of this audit “compliance” in this case refers to IA program compliance. 2.3.a. Responsibility for monitoring of compliance with IA program policies and authorities is clear and communicated via job descriptions, organizational charts, division or branch mandates, etc. 2.3.b. Senior management monitors the resulting reporting of compliance. Reporting expected from First Nations is monitored and followed up on timely basis where not received.</p>
	<p>Consider funding agreements with First Nations. 2.4.a. Responsibility for monitoring of compliance with financial management laws, policies and authorities is clear and communicated via job descriptions, organizational charts, division or branch mandates, etc. This responsibility is applied accordingly. This monitoring is documented and reported to management. 2.4.b. Senior management monitors the resulting reporting of compliance. 2.4.c. Reporting to the oversight body includes a clear statement that compliance has been maintained or breaches are noted.</p>
	<p>For the purpose of this audit, risk management refers to the approach as General Assessments of First Nations 2.5.a. All types of risks are identified including, but not limited to: legal risk; operational risk; financial risk; and reputational risk. 2.5.b. The risk identification process is rigorous and considers both internal and external sources of risk, including but not limited to the following factors: supply sources; technology changes; business process change or organizational restructuring; economic conditions; political conditions; regulation; natural events; human resource changes and capacity; and dependencies and inter-relationships with other federal entities and parties outside of government.</p>

Line of Enquiry	Audit Criteria
	2.6.a. Appropriate levels of management are involved in analyzing the risks, and all appropriate functional areas are involved (i.e., those who have subject-matter expertise).
<b>Accountability</b> <b>- AANDC HQ and Regions – organizational structure, clarity of roles and responsibilities</b> <b>- Regions – approach to implementing and managing IA program and Active Measures</b>	
<b>To assess whether the organizational structure in place includes clear roles and responsibilities to effectively support delivery of IA program</b>	a. Responsibilities and performance expectations to which managers and supervisors are held accountable are formally defined and clearly communicated. Job descriptions and/or performance agreements should exist for this purpose and be up-to-date. b. Employees’ duties and control responsibilities are clearly defined. c. Authority is formally delegated and delegated authority is aligned with individuals’ responsibilities.
	a. Functional authority is appropriately vested in and exercised by functional Heads (i.e., for security, finance). b. Authority is delegated with consideration of risk. c. Systems are used to enable the consistent management of delegated authorities. d. The organizational structure is up-to-date and widely communicated. e. The organizational structure permits clear and effective lines of communication and reporting (e.g., established reporting relationships – formal or informal, direct or indirect – provide managers information appropriate to their responsibilities and authority). f. Managerial spans of control are appropriate.
	a. Memoranda of understanding, terms of reference or equivalent documents exist for those government-wide or horizontal initiatives to which the organization contributes. b. The documentation clearly outlines the organization’s roles, responsibilities and accountabilities of the organization.
	a. Input is sought from users and other stakeholders through mechanisms such as environmental scanning and client satisfaction. b. A formal process is in place to consider feedback and impact on both short and long term objectives, balanced with the constraints of the IA program and Tribunal Act.

Line of Enquiry	Audit Criteria
	<p data-bbox="548 245 1646 402"> c. The AANDC-IA program's planning processes consider this input and use it to: <ul style="list-style-type: none"> <li>- challenge their objectives and priorities related to service;</li> <li>- ensure their services are relevant and aligned with user needs; and,</li> <li>- identify opportunities for enhancing service.</li> </ul> </p> <hr/> <p data-bbox="548 428 894 456">Consider Quarterly Report</p> <p data-bbox="548 472 1877 574"> a. Results and Management Accountability Frameworks (RMAFs) are in place for new or renewed policies, programs and initiatives and specify planned outputs and immediate-, intermediate- and long-term outcomes all of which are linked to objectives. </p> <hr/> <p data-bbox="548 597 1255 625">a. Planned results are achievable and measurable.</p> <p data-bbox="548 641 1860 704"> b. Performance measurement strategies are in place and are applied for new or renewed policies, programs or initiatives. </p>

## Appendix B – Roles and Responsibilities

The following table summarizes the roles and responsibilities for AANDC Sectors and First Nations recipients, based on a review of SPPB documentation and audit interviews.

Responsibility	Roles		
	Source: Performance Measurement Strategy	Source: Compliance Directive and Compliance Handbook	Source: SPPB National Social Programs Manual / Interviews
1. Education and Social Development Programs and Partnerships Sector - Social Policy and Programs Branch	<ul style="list-style-type: none"> <li>• ESDPP/SPPB role includes:               <ul style="list-style-type: none"> <li>- national program design, policies and procedures;</li> <li>- developing and implementing program guidelines;</li> <li>- establishing eligibility criteria for social development program funding;</li> <li>- establishing appropriate social development program reporting requirements;</li> <li>- developing and implementing a risk-based recipient compliance framework; and,</li> <li>- conducting regional compliance reviews of</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The Director General SPPB is responsible to:               <ul style="list-style-type: none"> <li>- develop and implement a compliance program in accordance with this directive that covers all five social programs;</li> <li>- develop and implement training and capacity development initiatives for program/regional staff tasked with compliance activities;</li> <li>- provide program/regional staff with on-going technical support and oversight of the compliance program;</li> <li>- conduct periodic management reviews of regional compliance with this directive;</li> <li>- review and recommend adjustments to annual regional compliance schedules, taking into account strategic issues having national implications;</li> <li>- collect information and report on results of compliance activities carried out by regional staff; and</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• AANDC is responsible to:               <ul style="list-style-type: none"> <li>- provide funding to eligible funding recipients as authorized by approved policy and program authorities;</li> <li>- lead the development of policy and provide policy clarification to eligible funding recipients;</li> <li>- provide oversight to ensure programs operate according to authorities and Canada's financial management requirements, by ensuring reporting and accountability requirements are met; and</li> <li>- further articulate regional processes and procedures necessary to implement the national manual.</li> </ul> </li> <li>• Note: division of responsibilities between AANDC ESDPP/SPPB, CFO Sectors and Regional Operations is not defined</li> </ul>

Responsibility	Roles		
	Source: Performance Measurement Strategy	Source: Compliance Directive and Compliance Handbook	Source: SPPB National Social Programs Manual / Interviews
	<p>operations to ensure overall compliance with national policies and procedures necessary to demonstrate due diligence in its management of transfer payments.</p>	<ul style="list-style-type: none"> <li>- analyze and interpret compliance results to identify program policy issues, regional capacity issues, recipient capacity issues and to recommend / carry out activities to strengthen areas considered to be at risk.</li> </ul>	
<p>2. Regional Operations / Regional offices</p>	<ul style="list-style-type: none"> <li>• The Regional Director General is accountable to the Assistant Deputy Minister [ESDPP] for the management and administration of the social development programs in accordance with the national program design, policies and procedures.</li> <li>• Managing and administering First Nation social development programs is shared between AANDC headquarters and AANDC regional offices and includes; <ul style="list-style-type: none"> <li>- social development program management,</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The Regional Directors General are responsible to: <ul style="list-style-type: none"> <li>- develop and implement regional management control frameworks essential to cost effective compliance reviews, as contemplated in this directive;</li> <li>- implement this directive in a manner which supports the achievement of the expected results;</li> <li>- develop regional compliance schedules, seek program concurrence and approve the regional compliance plan;</li> <li>- allocate resources to ensure that compliance reviews are carried out in accordance with annual compliance schedules and plans;</li> <li>- ensure that recoveries are made in</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• AANDC is responsible to: <ul style="list-style-type: none"> <li>- provide funding to eligible funding recipients as authorized by approved policy and program authorities;</li> <li>- lead the development of policy and provide policy clarification to eligible funding recipients;</li> <li>- provide oversight to ensure programs operate according to authorities and Canada's financial management requirements, by ensuring reporting and accountability requirements are met; and</li> <li>- further articulate regional processes and procedures necessary to implement the national manual.</li> </ul> </li> </ul>

Responsibility	Roles		
	Source: Performance Measurement Strategy	Source: Compliance Directive and Compliance Handbook	Source: SPPB National Social Programs Manual / Interviews
	<p>including quality assurance, and reporting on results;</p> <ul style="list-style-type: none"> <li>- conducting General Assessments of risk for recipient eligibility to enter into funding agreements and establishing the appropriate terms and conditions, commensurate with the risk assessments;</li> <li>- negotiating and signing the funding arrangement(s) with First Nations organizations in accordance with the Transfer Payment Program terms and conditions;</li> <li>- managing the recipient reporting requirements including the regional analysis and interpretation of results, with timely reporting to</li> </ul>	<p>accordance with the Policy on Receivables Management;</p> <ul style="list-style-type: none"> <li>- ensure the First Nations and Inuit Transfer Payment System FNITP is fully utilized for all compliance activities;</li> <li>- work with funding recipients to ensure that community development initiatives are strategic and provide cost effective capacity development, recognizing systemic issues giving rise to non-compliant behaviour;</li> <li>- engage in national initiatives aimed at strengthening the compliance program; and</li> <li>- report on compliance results to the Director General SPPB, in accordance with the quarterly reporting requirements on program compliance.</li> </ul>	<ul style="list-style-type: none"> <li>- Note: division of responsibilities between AANDC ESDPP/SPPB, CFO Sectors and Regional Operations is not defined</li> </ul>

Responsibility	Roles		
	Source: Performance Measurement Strategy	Source: Compliance Directive and Compliance Handbook	Source: SPPB National Social Programs Manual / Interviews
	<p>program managers in the Headquarters Program Branch on results achieved;</p> <ul style="list-style-type: none"> <li>- conducting recipient compliance activities in accordance with national program guidelines;</li> <li>- responding to issues and concerns affecting the program delivery of individual recipients by taking the appropriate action to address areas of risk;</li> <li>- maintaining relationships with recipient First Nations and Organizations to monitor program performance; and</li> <li>- communicating to social program managers in the Social Policy and Programs Branch on emerging issues stemming from</li> </ul>		

	Roles		
Responsibility	Source: Performance Measurement Strategy	Source: Compliance Directive and Compliance Handbook	Source: SPPB National Social Programs Manual / Interviews
	<p>provincial or territorial legislation and related discussions.</p> <ul style="list-style-type: none"> <li>The responsibility for managing and administering First Nation social development programs is shared between AANDC headquarters and AANDC regional offices.</li> </ul>		

Responsibility	Roles		
	Source: Performance Measurement Strategy	Source: Compliance Directive and Compliance Handbook	Source: SPPB National Social Programs Manual / Interviews
3. Chief Financial Officer Sector – Transfer Payments Centre of Expertise (TPCOE)			<p>AANDC is responsible to:</p> <ul style="list-style-type: none"> <li>- provide funding to eligible funding recipients as authorized by approved policy and program authorities;</li> <li>- lead the development of policy and provide policy clarification to eligible funding recipients;</li> <li>- provide oversight to ensure programs operate according to authorities and Canada’s financial management requirements, by ensuring reporting and accountability requirements are met; and</li> <li>- further articulate regional processes and procedures necessary to implement the national manual.</li> </ul> <ul style="list-style-type: none"> <li>• Note: division of responsibilities between AANDC ESDPP/SPPB, CFO Sectors and Regional Operations is not defined</li> <li>• Interviews noted that the role of the TPCOE includes: oversight and guidance for compliance of grants and contributions entered into by AANDC: setting the</li> </ul>

Responsibility	Roles		
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			direction for the G&C management control framework; and development and monitoring of G&C policies, including recoveries resulting from compliance work and recipient audits. TPCOE considers the umbrella of compliance to include work of Regional Funding Service Officers, regional recipient compliance activities, national program compliance activities, and TPCOE recipient.
4. First Nation recipients	<ul style="list-style-type: none"> <li>• Tribal Councils, Chiefs and Council, First Nation Child and Family Services Agencies, etc. are responsible for delivering the minimum program standards and achieving the planned social development results/outcomes by: <ul style="list-style-type: none"> <li>- developing and implementing management control frameworks necessary to deliver the program in accordance with the</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>• Eligible funding recipients are responsible to: <ul style="list-style-type: none"> <li>- deliver programs in accordance with the terms and conditions set out in the funding agreement;</li> <li>- ensure that internal controls are in place to manage funding;</li> <li>- ensure that program administrators are properly trained and possess the skills and knowledge to deliver the programs;</li> <li>- ensure that reporting requirements are met and</li> </ul> </li> </ul>

Responsibility	Roles		
	Source: Performance Measurement Strategy	Source: Compliance Directive and Compliance Handbook	Source: SPPB National Social Programs Manual / Interviews
	<p>terms and conditions and program design, with due diligence;</p> <ul style="list-style-type: none"> <li>- maintaining systems to manage both financial and non-financial information necessary to demonstrate program results;</li> <li>- ensuring overall compliance with program terms and conditions contained in the funding agreement; and</li> <li>- being accountable to their membership in a fair, transparent and equitable manner.</li> </ul>		<p>reports are submitted in an accurate and timely manner; and</p> <ul style="list-style-type: none"> <li>- cooperate with AANDC staff during compliance reviews.</li> </ul>