



**AUDIT OF THE
CONTRIBUTIONS TO
INTERNATIONAL ENVIRONMENTAL PROGRAMS**

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**Foreign Affairs Canada
Office of the Inspector General
Audit Division (SIV)**

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EXECUTIVE SUMMARY

The Audit Division (SIV) undertook an audit of the management of the contributions to the International Environmental Program, which is administered by the Environment and Sustainable Development Relations Division (ESR), as part of its review of Departmental Grants and Contributions. The objective of the audit was to determine the extent to which the contribution program was managed with sound comptrollership practices and complied with legislative and regulatory requirements.

The scope of the audit encompassed total ESR funding of \$4,351,560, which included 34 grants and/or contributions.

The ESR audit strategy, as per the TB approved RBAF, indicates that, on an annual basis, three recipients are to be audited. As of the date of this report, the three recipient audits planned for this year are currently ongoing.

The contribution programs are managed with sound comptrollership practices and comply with legislative and regulatory requirements. The contribution agreements are justified under appropriate authorities. The contribution agreements were found to be in agreement with the majority of the requirements of the TB and Departmental Transfer Payment Policies. The contribution agreements respect the template as set out by SMD. Practices and processes were found to be in place that ensure that program funds are managed with due diligence and that payments are made in accordance with the policies. The contribution files contained the relevant documentation and indicated that proper approvals had been obtained for the contribution payments.

In conclusion, the contribution program is managed with sound comptrollership practices and complies with legislative and regulatory requirements. There are no audit recommendations.

OVERVIEW

1.1.1 On February 12, 1998, the Treasury Board approved the payment of contributions to support secretariats and programs formerly covered by the international portion of the Green Plan Program.

1.1.2 Treasury Board Ministers provided Foreign Affairs Canada (FAC) with the authority to make contributions to international environmental programs, initiatives, organizations, and international secretariats administering environmental agreements to which Canada is a party, or which support Canadian foreign policy environmental objectives.

1.1.3 The Environment and Sustainable Development Relations Division (ESR) is responsible to administer several environmental programs, among which is the International Environmental Program, and other Treasury Board authorities relating to pre-commitments, such as to the United Nations and Convention on Biological Diversity.

1.1.4 The International Environmental Program funds are in support of different categories of expenditures and activities of which some are:

- non-discretionary, such as annual contributions based on a scale of assessment; and,
- discretionary, divided into two sub-categories:
 - a) contributions made to international environmental agreements and organizations for events and projects; and,
 - b) contributions made to other organizations and NGOs in support of international environmental cooperation and/or Canadian foreign policy objectives.

SCOPE, OBJECTIVES and METHODOLOGY

2.1 Scope

2.1.1 This audit focused on the administrative practices, processes (systems) and controls related to the management of the contributions to the International Environmental Programs. The contribution agreements have been in effect since the 1997/98 fiscal year. The Audit Team audited the contribution program in accordance with Treasury Board and Departmental Transfer Payment Policies.

2.2 Objectives

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

- the contribution agreements were justified under appropriate authorities;
- the contribution agreements were prepared in accordance with FAC's Policy on Transfer Payments;
- the terms and method of payments were in compliance with Treasury Board approved terms and conditions; and,
- the Program Officers conducted project monitoring.

2.3 Methodology

2.3.1 The audit examined the major business processes and key controls associated with the management of the contribution agreements at FAC. The examination phase of the audit was conducted during the period December 2003 to February 2004. The contribution files reviewed were for the 2002/03 and 2003/04 fiscal years.

2.3.2 We conducted a comprehensive review of relevant program documentation and interviewed key personnel in the Environment and Sustainable Development Affairs Bureau (ESD) and Corporate Finance, Planning and Systems Bureau (SMD).

OBSERVATIONS

3.1 Contribution Agreements

3.1.1 The contribution agreements were justified under appropriate authorities.

3.1.2 The elements of the contribution agreements were found to be in agreement with the majority of the requirements of the Treasury Board and Departmental Transfer Payment Policies. The contribution agreements respect the template as set out by SMD. Contribution agreements have SMFH approval and where needed, suggested corrections were made before they were being issued to the recipients.

3.2 Terms, Methods of Payments and Monitoring

3.2.1 Practices and processes were found to be in place that ensure that program funds are managed with due diligence and that payments are made in accordance with the policies and the contribution agreements terms and methods of payments. One exception was found where a lump sum payment of \$150,000 was made without a contribution agreement being in place (UNEP GEMS/Water Programme Office). However, since Environment Canada plays a major role in the UNEP GEMS/Water Programme, contributions from ESR to this organisation are processed by means of an interdepartmental memorandum of understanding with Environment Canada as opposed to a contribution agreement, which is consistent with Treasury Board Policy. To reflect proper lines of accountability, ESR ensures that all documentation and applicable approvals are documented in ESR's files to support the disposition of project funds.

3.2.2 Good practices are in place for the monitoring of results. The ESR Officers monitor the project reports received from the recipients and where needed will consult with the proper authorities before proceeding with the payment process. It is frequently the case that the relevant ESR Officer has the opportunity to see first hand the work being performed (e.g. a conference, a meeting, a publication, a workshop). Once the reports or other outputs have been accepted, the documents submitted with the request for payment are reviewed by the Administrative Staff and/or ESR Officer/Director for payment approval.

3.3 Practices and Processes

3.3.1 Sound administrative practices were found to be in place. The ESR Officer makes an initial assessment of the appropriateness of the application received and of the availability of funds, seeks any further information, then discusses the proposal with his/her Deputy Director or, and as appropriate, the Director. The Director and/or Officer discusses the proposal with the Director General before making a commitment.

3.3.2 Contribution files were found to be complete. Accounting records and other relevant documents are maintained and disclose the amounts paid to recipients.