



**AUDIT
OF THE
INTERNATIONAL FUND FOR IRELAND**

JANUARY 2005

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

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EXECUTIVE SUMMARY

1.1 The Audit Division (SIV) has conducted an audit of the International Fund for Ireland (IFI) as part of its review of departmental Grants and Contributions. The IFI is a contribution program administered by the Northern European Division (REN). The audit focussed on the management and operational processes used by REN to manage the IFI contribution program.

1.2 Based on our review of REN's processes and files related to this contribution program, we have found the program to be well managed and make the following recommendations to improve program administration.

- There is a need to determine which funding mechanism (i.e. grant or contribution) is the most appropriate for the IFI, and to ensure that the resulting agreement between Canada and the IFI contains all the mandatory provisions required by FAC and Treasury Board (TB) Policy.
- There is a need to document the results of the ongoing review of IFI performance and to ensure these results are an integral part of the request for payment.

BACKGROUND, SCOPE, OBJECTIVES, AND METHODOLOGY

2.1 Background

2.1.1 The IFI was established in 1986 by the British and Irish governments to promote economic and social advance and to encourage contact, dialogue and reconciliation between Nationalists and Unionists within Northern Ireland and the Republic of Ireland. In 1987, Canada agreed to commit \$10 million to the IFI, half from government and half from matching private funds. By 1996 Canada had paid approximately \$4.1 million of the total commitment, when financial constraints arose. The authority was again approved in October 1999, restoring funding towards the Canadian Government's commitment to the IFI. The program totalled \$1 million over three years, representing annual payments of \$333,333. This agreement is up for renewal at the end of Fiscal Year 2001-02.

2.1.2 The oversight of the IFI is provided by REN as part of its ongoing work in foreign policy and political affairs for the region. This oversight is carried out with the assistance of our missions in London and Dublin.

2.2 Scope and Objectives

2.2.1 The primary focus of the audit was a review of the management and operational processes used by REN in their management and oversight of the IFI. This audit examined REN's practices in accordance with the Treasury Board Policy on Transfer Payments.

2.2.2 The overall objective of this audit was to review REN's management control framework and to identify potential improvements that would assist REN in its management and operational procedures with respect to this program.

2.3 Methodology

2.3.1 The audit methodology included a review of relevant corporate and program documentation and interviews with personnel in REN and at two missions, London and Dublin.

OBSERVATIONS AND RECOMMENDATIONS

3.1 Funding Instrument

3.1.1 FAC received authority through Treasury Board Submissions in 1987 and 1996 to make two grants to the IFI, \$10 million and \$600,000 respectively. After 1996 no further authority was requested until 1999, at which time the department made a request through a Treasury Board Submission to pay annual contributions to the IFI of up to \$333,333 in each fiscal year 1999-2000, 2000-01 and 2001-02, for a total contribution of \$1 million.

3.1.2 The rationale for changing the funding mechanism from a grant to a contribution was that under a contribution program the Treasury Board can authorize new contributions and changes in the amount paid without further parliamentary approval. Grant programs, however, cannot be increased or redirected without the authority of parliament because of the legislative authority.

3.1.3 The Audit Team examined the grant agreements established between the IFI and Canada for 1987 and 1996 and found these agreements to be in order. However, the contribution agreement prepared in 1999, for a three year period totalling \$1 million, was of the same format and content of the previous two grant agreements. As a result, the 1999 contribution agreement did not include all the mandatory provisions required in a contribution agreement. For instance, the agreement lacks clauses relating to the reporting requirements expected of the recipient; the Minister's right to conduct an audit of a contribution; the requirement of the recipient to repay overpayments, unexpended balances and disallowed expenses; and a declaration that such amounts constitute debts due to the Crown.

3.1.4 The agreement is up for renewal at the end of Fiscal Year 2001-02. A recently completed evaluation of this Program concluded that Canada's contribution to the IFI has been a sound investment in promoting reconciliation and the peace process in Northern Ireland. It further concluded that it would be in Canada's best interests to continue to contribute to the IFI. REN is currently preparing a Treasury Board Submission for the purpose of renewing Canada's contribution to the IFI. In light of the 1999 change in the funding instrument from grant to contribution and the resulting absence of mandatory provisions that are to be included in all contribution agreements, REN should re-assess the funding instrument to be used. Which ever instrument is chosen, REN should ensure that the agreement between Canada and the IFI contains all the mandatory provisions required for a grant or contribution agreement as directed by FAC and TB Policy on Grants and Contributions.

Recommendation for REN

- 3.1.5 REN should determine the appropriate funding instrument for the IFI and ensure that the resulting agreement between Canada and the IFI contains all the mandatory provisions required by FAC and TB Policy on Grants and Contributions.**

REN Response

- 3.1.5 The process of payment will continue to be a contribution, and changes have been made to the provisions so that there are clauses that relate to the reporting requirements expected of the recipient, the Minister's right to conduct an audit of a contribution, the requirement of the recipient to repay overpayments, and a declaration that such amounts constitute debts to the Crown.**

3.2 Program Monitoring

3.2.1 REN liaises regularly with the missions in London and Dublin. Although REN and Mission staff in London have a higher level of responsibility and accountability for the policy development on the peace process, the staff in Dublin have a larger role in monitoring the IFI because of their location.

3.2.2 Monitoring activities undertaken include twice-yearly visits to Northern Ireland made by departmental staff based in London. Meetings with the IFI management form a regular part of the visit itinerary. In addition, the IFI sends FAC its Corporate Annual Report and monitoring and evaluation reports produced for the organization and other governments. These documents include the recent impact assessments of the IFI and a management audit. Information obtained by Mission staff through these monitoring activities and documentation is used in furthering departmental policy objectives.

3.2.3 The Board of the IFI is appointed jointly by the British and Irish Governments. As an IFI donor country, Canada has had the ability to oversee IFI operations with the long-term appointment of a prominent Canadian representative as one of five Observers to the Board. There is no formal process by which Board deliberations are communicated to REN and the Missions.

3.2.4 On an annual basis, the IFI makes a request for payment by way of an invoice, accompanied by a letter, without any supporting documents such as a financial report as required by the terms and conditions of the Treasury Board. There is no formal review by Program Management of the IFI request for payment prior to its payment.

Recommendations for REN

- 3.2.5** **REN, with assistance from the missions in London and Dublin, should establish a formal process by which the Board's deliberations are communicated to the Department.**

- 3.2.6** **REN should review its process for payments to ensure that the file contains documented evidence of program management's review and approval of invoices.**

REN Responses

- 3.2.5** **REN, with assistance from the missions in London and Dublin, obtains copies of the minutes from each meeting of the Board in order to ensure that the Department is aware of all deliberations that take place regarding the Fund.**

- 3.2.6** **Payment process was reviewed and all payments are now supported by the appropriate documents.**