



INTERNAL AUDIT OF THE YOUNG PROFESSIONALS INTERNATIONAL PROGRAM

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
1.0 OVERVIEW	2
2.0 SCOPE, OBJECTIVES and METHODOLOGY	2
2.1 Scope	2
2.2 Objectives	2
2.3 Methodology	3
3.0 OBSERVATIONS	3
3.1 Application, Assessment and Approval	3
3.2 Contribution Agreements	4
3.3 Terms, Methods of Payments and Monitoring	4
3.4 Records Management	4
3.5 Recipient Audits	5

EXECUTIVE SUMMARY

The Internal Audit Division (ZIV) undertook an audit of the internal management of the Young Professionals International (AGY) contribution program. This audit was conducted by ZIV 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 AGY funding of \$5,854,700 for fiscal year 2004/05. At the time of the Audit, 48 contribution agreements had been entered into by the Program. The Audit Team reviewed a sample of 14 projects, with a total approved budget of \$2,355,000, 40% of the Program's contribution funding.

The Audit Team found that, with the exception of the absence of a documented assessment of the Project and the Recipient, the contribution program is managed with sound comptrollership practices and complies with legislative and regulatory requirements. The contribution agreements are justified under the appropriate authorities and were found to be in agreement with the requirements of the Treasury Board and departmental Transfer Payment Policies. The practices and processes in AGY 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, however, a formal assessment of both the Project and Recipient did not exist.

The Audit Team also undertook a follow-up to the recommendations made in the February 1999 Youth Internship Program Audit Report and found that all recommendations made in that report had been implemented.

The AGY audit strategy, as per the Treasury Board approved Risk-Based Audit Framework (RBAF), requires that in addition to the internal audit, five recipient audits and five initial visits be completed on an annual basis. As of the date of this internal audit report, all planned recipient audits and initial visits for fiscal year 2004/05 had been completed. The recipient audits identified \$2,242 (less than 1% of amounts claimed) in audit adjustments which are being reimbursed by the applicable recipients.

One audit recommendation is raised in the report. Management has responded to this recommendation indicating action already taken or decision made, as well as future action to be taken.

1.0 OVERVIEW

1.1 The Minister for Human Resources Development Canada announced the “National Youth Jobs Strategy” on February 13, 1997. Of the seven programs announced, six are domestic and one, the Youth International Internship Program (YIIP), has an international component. Under YIIP, participating departments (FAC, CIDA, HRDC, Industry, Environment and Heritage) provide contribution funds to Canada-based, third-party organisations, such as business associations or NGOs, to develop, in partnership with host organizations or employers outside of Canada, projects involving internationally-focussed internships for Canadian youths.

1.2 The FAC Young Professionals International program, under the name of the Youth International Internship Program (AGY) was created as part of the Youth Employment Strategy of 1997, as approved by Treasury Board.

1.3 Under the Youth Employment Strategy, youth employment initiatives, such as FAC’s international internship program, target youth from 18 to 29 years of age who have completed a college or university program and are having difficulty making the transition from school to the workforce. Internships are 6 to 8 months in length, with a small Canadian component and a substantial overseas component. Internships must be international in content but not all internships need to involve going overseas.

2.0 SCOPE, OBJECTIVES and METHODOLOGY

2.1 Scope

2.1.1 This audit focussed on the administrative practices, processes and controls related to the management of the contributions made under the Young Professionals International Program during the 2004/05 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 program was managed with sound comptrollership practices and complied with legislative and regulatory requirements. In particular, the audit focussed on determining whether:

- the contribution agreements (CAs) were justified under appropriate authorities;
- the CAs were prepared in accordance with the Department’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 CAs in AGY. We conducted a comprehensive review of relevant program documentation and interviewed key AGY personnel.

2.3.2 The examination phase of the audit was conducted from November 2004 to April 2005. Out of a total of 48 projects underway or completed at that time, an initial sample of 14 completed project files were selected, accounting for \$2,355,000, 40% of the program budget. Based on the positive results found in the initial sample, the sample was not expanded.

2.3.3 In addition to the AGY project file review, the Audit Team reviewed the Recipient Audit Reports that have been conducted during the 2004/2005 fiscal year.

2.3.4 In addition to the interviews and file review, the Audit Team completed a follow-up on the recommendations made in the February 1999 Youth Internship Program Audit Report. All recommendations were found to have been actioned appropriately.

3.0 OBSERVATIONS

3.1 Application, Assessment and Approval

3.1.1 On a yearly basis applicants (Implementing Organisations) apply for Program funding by submitting a Project Proposal to AGY. AGY requires that all Implementing Organisations follow the established proposal guidelines and templates (both narrative and financial requirements) found on the FAC website.

3.1.2 The Project Selection Committee, consisting of six to eight members of FAC/ITCan (but not AGY representatives) evaluates the proposals using an evaluation matrix established by AGY. Additionally, the AGY Program Manager, Program Officer and six former YPI participants score the proposals. The former YPI participants do not rank the implementing organisations that they previously participated with. The Program Assistant averages the scores to determine the final score of each project proposal. Once the scores are finalised, the Program Manager produces a recommended list of implementing organizations for the Project Selection Committee to approve.

3.1.3 Once the Project Selection Committee has approved the recommended projects list, AGY sends an Action Memorandum to MINA and MINT to approve the funding of the recommended projects. A CA is then entered into with the approved

Implementing Organisations. The Audit Team found that the approval process is well documented and maintained on the individual project file.

3.2 Contribution Agreements (CAs)

3.2.1 The CAs respect the template as set out by the Corporate Finance, Planning and Systems Bureau (SMD) and were justified under appropriate authorities.

3.2.2 The Audit Team found that the clauses of the CAs were in agreement with the applicable requirements of the Treasury Board and departmental Transfer Payment Policies. CAs have SMFH approval and, where needed, suggested corrections were made before being issued to the recipients.

3.2.3 The Audit Team found that amendments to CAs were completed when required and documented appropriately.

3.3 Terms, Methods of Payments and Monitoring

3.3.1 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 CA terms and methods of payment. To reflect proper lines of accountability, AGY ensures that all documentation and applicable approvals are documented in agreement files to support the disposition of project funds.

3.3.2 Good practices are in place for the monitoring of results. The program officers review both the quarterly reports and the final report to ensure that the recipients have met the requirements of the CA and the Program. Once the reports or other outputs have been accepted, they are submitted to the Program Manager for payment approval.

3.3.3 Contribution payments are approved by authorized persons, based on the achievement of performance objectives set out in the agreement or as a reimbursement of eligible costs incurred by the recipient. Payments are not made until all required reports have been received.

3.4 Records Management

3.4.1 Contribution files were found to be complete. While the accounting records and other relevant documents are maintained, well organized and disclosed the amounts paid to recipients, documentation did not exist within the Project files that adequately addressed the final assessment of both the Project and the Recipient itself.

Recommendation for AGY

3.4.2 Upon closing the Project, a formal assessment of the Project and the Recipient (relating to relevance, outcome and outputs) should be documented and maintained within the Project file.

AGY Response and Time Frame

3.4.3 A “Final Assessment of the Recipient and Project” form has been drafted and will be completed for each project. The form assesses both the Recipient, the project activities, including results achieved.

3.5 Recipient Audits

3.5.1 AGY, in conjunction with ZIV, has developed a risk management assessment for recipient audits, which includes:

- a determination of which recipients are to be audited;
- a determination of whether the scope, frequency and scheduling of audits meet program requirements; and,
- a determination of appropriate follow-up action of audit findings.

3.5.2 As required by AGY’s RBAF, five recipients audits (for projects completed during fiscal year 2003/04) and five initial visits (for project commencing in 2004/05) were undertaken by ZIV during the 2004/05 fiscal year.

3.5.3 Generally, the recipients that were audited maintained complete and comprehensive records of costs, expenditures and commitments incurred in the course of performing the obligations pursuant to the CA.

3.5.4 The recipient audits identified \$2,242 (less than 1% of amounts claimed) in audit adjustments which are being reimbursed by the applicable recipients.