



**AUDIT OF CONTRIBUTIONS AND GRANTS MADE BY THE
AMBASSADOR FOR MINE ACTION**

June 2006

**Department of Foreign Affairs and International Trade
Office of the Inspector General
Audit Division (ZIV)**

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EXECUTIVE SUMMARY

The Internal Audit Division (ZIV) undertook an audit of the management control framework supporting the contributions and grants made by the Ambassador for Mine Action under the Canadian Landmine Fund Grant and Contribution Program (ILX). This audit was conducted by ZIV as part of its annual review of Departmental Grants and Contributions.

The objective of the audit was to determine the extent to which the program was managed by ILX in accordance with sound comptrollership practices and complied with legislative and regulatory requirements.

The scope of the audit encompassed Vote 10 Program funding of \$6,164,515 for fiscal year 2004/05. At the time of the audit, 56 grant or contribution agreements had been entered into by ILX. The Audit Team reviewed a sample of 18 projects, with a total approved budget of \$2,460,156, accounting for 40% of the Program's Vote 10 funding.

ILX has in place project approval and financial processes, as set out in the Treasury Board submission which renewed the Canadian Landmine Fund. There is a need, however, to strengthen the processes by ensuring the project files contain adequate documentation on a more consistent basis. For instance, the consultation with various stakeholders was not recorded, in most cases the rationale of the Project Review Board's decision to accept or reject a proposed project lacked detail, and in many cases communication with Recipients was not documented and placed on the project file. Notwithstanding the lack of documentation, other audit evidence indicated that a complete assessment of the application's eligibility was conducted prior to submission for decision to the four member interdepartmental Project Review Board (PRB).

The annual report published by ILX on behalf of the interdepartmental community, including DND and CIDA, clearly outlines the effect the program has had in achieving its objectives. The Audit Team found that systematic and consistent program monitoring practices have been implemented for grants and contributions. Reporting requirements are well stipulated in the grant and contribution agreements; however, in some of the grant agreement files reviewed the recipient had not submitted a final report. While ILX has attached a great deal of emphasis to obtaining outstanding final reports, there is a need to increase supporting documentation on project files to demonstrate that such communication has taken place with Recipients. ILX management has also made it clear, both internally and externally, that lack of reporting will influence the prospects of future Canadian support to the partners.

The Audit Team concludes that comptrollership practices in ILX consist of both formal and informal processes. ILX management has built on past practices and lessons learned, formalizing certain existing informal processes, with a particular

emphasis on establishing the PRB, developing a manual of best practices for programming staff, and ensuring appropriate training is available for staff.

OVERVIEW

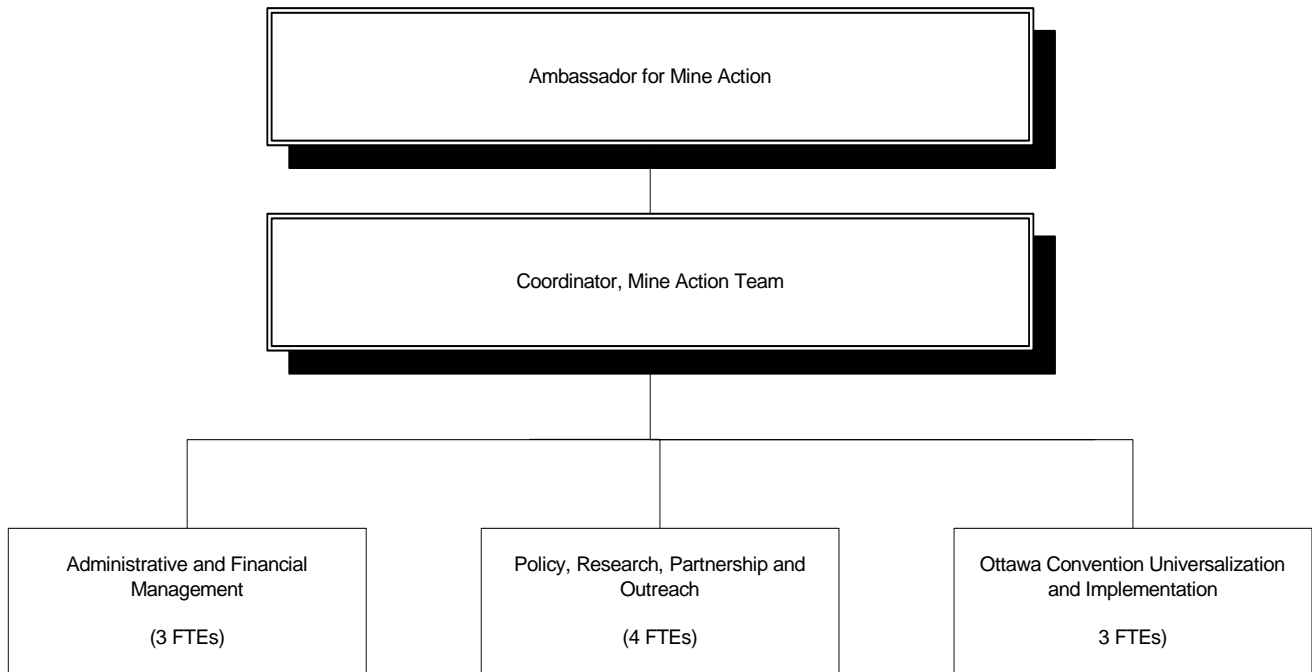
1.1.1 Following the Implementation of the Convention on the Prohibition, Use, Stockpiling, Production and Transfer of Anti-Personnel Landmines and on their Destruction (Ottawa Convention), the Canadian Landmine Fund was established in 1998, for a period of five years. It was launched with a total fund allocation of \$100 Million to support early ratification and universal acceptance and compliance with its provision. It was also established to support mine-affected countries in the areas of capacity building for indigenous mine action programs, mine awareness, training and local capacity building and assistance to victims. The funding was assigned to the Department of Foreign Affairs (DFAIT), Canadian International Development Agency (CIDA), Department of National Defence (DND) and Industry Canada (IC). DFAIT's portion totalled \$10.35 million over five years, including both Vote 1 and Vote 10 funds. The mandate to approve disbursements under this fund rests with the respective departments and agencies.

1.1.2 In 1998, the Treasury Board Secretariat provided DFAIT with the authority to make contributions under the Canadian Landmine Fund. It also provided the authority to create a policy support unit within DFAIT, with a notional budget of up to \$1 million per year, to develop an action plan to ensure the long-term sustainability of resources for Canadian mine action.

1.1.3 The Office of Ambassador for Mine Action (ILX) was created in recognition of the lead role played by DFAIT with respect to the landmines initiative. The program is managed by ILX which consists of a team of 12 individuals (see table 1 below). ILX is divided into three groups: Administrative and Financial Management; Policy, Research, Partnership and Outreach; and Ottawa Convention Universalization and Implementation. Project Coordinators are each assigned a geographic region. ILX manages meetings of the State Parties; reports on Canadian compliance as per the Ottawa Convention; and liaises with international government and non-governmental partners to develop partnerships, identify opportunities and facilitate complementarity of international activities relating to universalization, entry into force, global priority-setting and international coordination. ILX also develops the governmental communications plan for Mine Action within which implementing departments develop and manage their own communications activities.

1.1.4 In 2003, the Treasury Board Secretariat agreed to extend the program for an additional five years (ending March 31, 2008) with total additional funding of \$72 Million, of which \$28 Million is allocated to DFAIT. This increase included the authority for the Department to enter into grant arrangements in support of activities related to mine action and explosive remnants of war.

TABLE 1 - OFFICE OF AMBASSADOR FOR MINE ACTION ORGANIZATION CHART



SCOPE, OBJECTIVE AND METHODOLOGY

2.1 Scope

2.1.1 The audit focussed on the administrative practices, processes and controls related to the management of the grants and contributions (Vote 10) made under the program during the 2004/05 fiscal year. The Audit Team audited the program in accordance with Treasury Board and Departmental Transfer Payment Policies.

2.2 Objective

2.2.1 The overall objective was to determine the extent to which the grant and contribution program was managed in accordance with sound comptrollership practices and complied with legislative and regulatory requirements. In particular, the audit focussed on determining whether:

- ▶ effective financial and program controls are designed and implemented within the grant and contribution program;
- ▶ departmental capacity exists to effectively deliver and administer the grant and contribution program;
- ▶ due diligence is exercised in the selection and approval of recipients;
- ▶ the agreements with the recipients are based on Treasury Board approved terms and conditions for the program;
- ▶ adequate monitoring of results is achieved and suitable information is obtained to ensure departmental accountability; and,
- ▶ proper program and accounting records and other relevant documents are maintained to provide documentary evidence of decisions made and results achieved.

2.3 Methodology

2.3.1 The audit examined the major business processes and key controls associated with the management of the grants and contributions within ILX. The Audit Team conducted a comprehensive review of relevant program documentation and interviewed ILX personnel.

2.3.2 The examination phase of the audit was conducted during the period from May 1 to June 30, 2005. The Audit Team reviewed a sample of grant and contribution project files as detailed below.

Payment Type	Projects Completed	\$ Value Expended	Files Reviewed	\$ Value Reviewed	% Reviewed
ILX - Vote 10 Contributions	31	\$2,736,647	10	\$1,178,965	43%
ILX - Vote 10 Grants	25	\$3,427,868	8	\$1,281,191	37%
Totals	56	\$6,164,515	18	\$2,460,156	40%

2.3.3 In addition to interviews and file reviews, the Audit Team completed a follow-up on the recommendations made in the September 2000 Audit Report - Contributions made by the Ambassador for Mine Action.

OBSERVATIONS AND RECOMMENDATIONS

3.1 Application, Assessment and Approval

3.1.1 ILX has developed a Grant and Contribution Guide providing Project Coordinators (PC) guidelines for reviewing applications, approving projects, processing payments, and evaluating projects upon completion. The guide contains the Departmental Policy on Grants and Contributions as well as guidelines and templates for managing grants and contributions. It is an effective training tool for new PCs as well as a useful reference guide.

3.1.2 Applications for program funding are submitted by way of proposals. Proposals are assigned to the appropriate regional PC in ILX who registers the project in the Division's grant and contribution registry and then reviews the proposal. If the application is incomplete, the PC communicates with the applicant requesting additional information. While ILX does not use a standard application form, having developed effective alternatives, 94% of the files reviewed had sufficient information for an assessment to be conducted of proposed projects.

3.1.3 A Project Assessment Form is prepared by the PC for each proposal received. The PC's recommendation to approve or reject the project is indicated on the assessment form. The assessment process also includes consultations with key partners such as missions abroad (that may be involved with the project or had other dealings with the organization), headquarter bureaux and OGDs. Project files identified the consultations that had taken place; however, in most cases, the detail and results of those consultations were not included in the file.

3.1.4 ILX has established a selection committee to review and decide upon applications against specific selection criteria that are in line with the program's terms and conditions. Project Assessment Forms are submitted to the Project Review Board (PRB) for review. The PRB is composed of four members: the Ambassador for Mine Action; the Coordinator for Mine Action Team; the Head of Section Policy, Research and Outreach; and the Chief of CIDA Mine Action Unit. The PRB meets as required. When meetings are deemed non-essential, on a highly exceptional basis where urgency is demonstrated, the PRB will approve or reject projects through internal correspondence. Such "virtual PRB" meetings require the same documentation for approval to be obtained. Minutes and decisions taken at PRB meetings are kept in a central file. The process documents the conclusion reached by the PRB; however, the minutes and project files do not contain an audit trail of the discussions that led to the eventual conclusion.

Recommendations for ILX

3.1.5 Records of consultation with key stakeholders should be produced and kept in project files on a systematic basis.

3.1.6 PRB records should include a rationale for approving the grant or contribution.

ILX Actions and Time Frames

3.1.5 Agreed. ILX has issued instructions to its staff and the ILX Best Practices Document will be amended by 30 June 2006.

3.1.6 Agreed. The rationale for decision making is now recorded in more detail in the record of PRB.

3.2 Grant and Contribution Agreements

3.2.1 Approved Project Assessment Forms are returned to the PC who prepares the agreement. Agreements are forwarded to Financial Services - Headquarters (SMFH) for approval before being sent to the recipient. Agreements specify all necessary policy and program requirements of the recipient.

3.2.2 In cases where a project is rejected, the PC prepares a letter informing the applicant of the rejection.

3.2.3 The Audit Team found that the clauses of the agreements reviewed complied with the applicable requirements of the Treasury Board and Departmental Transfer Payment Policies.

3.2.4 The Audit Team found that amendments to agreements were completed when required and documented appropriately.

3.3 Terms, Methods of Payments and Monitoring

3.3.1 Payment terms are well stipulated in the Grant and Contribution agreements. In most cases, recipients send payment requests along with the required reports. The PC is responsible for ensuring all requirements have been met before a payment request is sent to the ILX Financial Officer. A new procedure has been implemented by SMFH as of April 1, 2006, whereby Divisions requesting Grant and Contribution payments must send, along with their Section 34 approval, a certification/note indicating that the program has received the narrative/final report and that they are satisfied with the report. While these reports are typically sent to SMFH along with the payment request, SMFH only requires the financial report for payment purposes.

3.3.2 The Financial Officer prepares a payment voucher which is approved by the PC and the Director of ILX for payment. The voucher is then sent to the Area Management Office - Global and Security Policy (IAM) for approval under Section 34 of the Financial Administration Act (FAA). SMFH is then responsible for Section 33

approval. A copy of all payment information is kept on file, including invoice(s), financial statement, budget and payment requisitions. As of April 1, 2005, the approval process has changed and ILX is now responsible for approving Section 34.

3.3.3 The Audit Team found that systematic and consistent program monitoring practices had been implemented for grants and contributions. Upon closing a file, a Project Completion Form is completed and placed in the project file. This serves as an assessment of the project by ILX in terms of relevance, outcome, outputs and recipient's performance, with a view to developing a track record, if the recipient requests subsequent funding. In the case of grants, the program has experienced difficulties in obtaining final reports from Recipients, despite numerous attempts. While it is a standard practice for PCs in ILX to ensure that all recipient organizations submit project reports, supporting documentation was not always found on file (i.e. e-mails or log of communication with Recipients) to show that communication had taken place. The PCs should ensure that this information is kept on file. In cases where the final report had not been received, the PCs were not able to complete the Project Completion Forms.

3.3.4 ILX produces an annual Report on the Canadian Landmine Fund. The report provides an overview of a sample of projects funded in the five main areas of activity. It highlights results achieved or anticipated for each of the projects selected, demonstrating the effects the program and the recipient have had on program objectives. The report provides spending summary by program and investment breakdown by thematic area and region.

Recommendation for ILX

3.3.5 Ensure that documents supporting communications with Recipients are maintained on file.

ILX Action and Time Frame

3.3.5 Documents supporting communications with Recipients will be maintained on file forthwith.

3.4 Records Management

3.4.1 Overall, files were found to be well organized and the status of projects were readily apparent to allow any project officer to assume responsibility for the file.

3.5 Recipient Audits

3.5.1 ILX, in conjunction with ZIV, has developed a risk management assessment for recipient audits, which includes a determination of the following:

- ▶ recipients to be audited;
- ▶ scope, frequency and schedule of audits; and,
- ▶ appropriate follow-up action of audit findings.

3.5.2 As required by the Risk-Based Audit Framework (RBAF), five program recipients are to be audited on an annual basis. As of the date of this audit report, two of the five planned recipient audits for 2005/06 have been completed, the remaining three are in the process of being finalized.

3.6 Previous Internal Audit Report

3.6.1 The Audit Team's follow-up of recommendations contained in the September 2000 Internal Audit Report indicated that all recommendations had been fully implemented.