

**ACTION PLAN IMPLEMENTATION STATUS UPDATE
REPORT TO THE AUDIT COMMITTEE - AS OF MARCH 31, 2012**

REGIONAL OPERATIONS, CHIEF FINANCIAL OFFICER

AUDIT OF THE QUALITY MANAGEMENT PROGRAM AND THE APPLICATION OF THE INTERVENTION POLICY (200725)

AEC APPROVAL DATE: 26/02/2009

PROJECT RECOMMENDATIONS	ACTION PLAN	EXPECTED COMPLETION DATE	PROGRAM RESPONSE
<p>1. The IP be reassessed with a view to clarifying policy objectives, revising policy components needed to ensure consistency with the objectives, and providing related tools and guidance to ensure the policy is implemented as intended.</p> <p>Policy revisions and related guidance to provide, at a minimum, clarity regarding:</p> <ul style="list-style-type: none"> • IP-related roles, responsibilities, accountabilities and expectations regarding IP design, development, implementation, and monitoring across key stakeholder groups including the CFO Sector, Programs and Regional Operations (particularly FSOs). • When a recipient's level of intervention should be escalated or de-escalated. • Expectations for a risk-based and integrated strategy and approach to evaluate compliance with 	<p>The CFO, in collaboration with Senior ADM, Regional Operations and Program ADM's, will undertake a review of the Intervention Policy. This review will involve confirmation of policy objectives and the identification of those policy changes required to address the implementation and clarity issues noted in the Horizontal Audit. The outcome of the review will include a workplan and timetable for recommended changes to the Intervention Policy and/or related guidance.</p>	<p>31 December, 2009</p>	<p>Status: completed, request to close.</p> <p>Update/Rationale: As of 30/09/2011:</p> <p>RO: CFO to provide details of implementation and activities to date, TPCOE confirmed via email with RO OPS.</p> <p>CFO: A review was carried out in summer 2009 and a full evaluation during the fall of 2009. Subsequently redrafted as the Default Prevention and Management Policy. First Nations were engaged on this draft Policy in summer 2010. The Policy was presented at Departmental Operations Committee and has been approved by the Deputy Minister. Directives to accompany the Policy were presented at Departmental Operations Committee and have been approved by the Chief Financial Officer. User guides and other tools are being finalized and will be promulgated.</p> <p>AES: The recommendation is closed based on the approval of the Policy and supporting Directives.</p> <p>Note: This follow up has been superseded by the Horizontal Audit of the Management Control Framework for Grants and Contributions 2011-2012 (Focus on Co-Management and Third Party Management) which will be reported to the September 2012 meeting of the Audit Committee.</p>

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<p>the IP at a National and Regional level.</p> <ul style="list-style-type: none"> • Minimum standards of documentation related to ongoing monitoring activities, such as trip reports (notes of site-visits), minutes of meetings, decisions, action-items and responsibilities to ensure a consistent approach within and across regions. • Practices, including monitoring, related to the timely receipt and review of RMPs as well as the enforcement of IP requirements in cases when RMPs are not received from recipients. • An approach for tracking the status of recipients under intervention, tracking and documenting progress against plans at a regional level and for providing regional information to HQ for purposes of assessing overall effectiveness of 			

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<p style="text-align: center;">the IP, and</p> <p>A sustainable strategy and approach be established to performing regional quality assurance reviews to monitor and validate compliance with the IP.</p>			
<p>2. In the short term, tools and practices (e.g. formal criteria, guidance and training) be developed, based on risk and current best practices, that will support consistent application of judgment to a particular recipient situation and that will clarify the conditions of default as described in the IP.</p>	<p>The CFO, in collaboration with Senior ADM, Regional Operations and Program ADM's, will identify, recommend and develop the tools and practices required to support a more consistent application of the Intervention Policy across regions. Recommendations regarding required tools and practices will be based on risk and current best practices.</p>	<p>30 June, 2009</p>	<p>RO Update: Status: Completed, recommended to close.</p> <p>Update/Rationale: <i>As of 23/04/2012: CFO to provide response. RO continues to work in collaboration with CFO to develop the necessary tools and practices in support of the Default Prevention and Management Policy for implementation in 2012-2013.</i></p> <p><i>CFO has approved the Management Control Framework (MCF) for Grants and Contributions. Directive 101 is approved and being used for Grant and Contribution Management.</i></p> <p><i>Policy 200 DPMP has been approved and is in force. Directive 205 DPMP 210 TPFAM have been approved and are in force. Other guidelines are in development.</i></p> <p>CFO Update: PROGRAM RESPONSE : Status : Request to close (completed) Update/Rationale: As of 31/03/2012:</p>

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			<p>The Arrangement Series Course offered by TPCOE covers Funding Approaches, Funding Agreement, Financial Reporting and Reporting Management.</p> <p>The following guidance documents have been finalized and are being promulgated: Financial Reporting Directive, Reporting Management Directive, Default Prevention and Management Directive, Third Party Funding Agreement Management Directive, and Recipient Audit Directive. Additionally, progress has been made with respect to tools and practices to support a more consistent application of the Default Prevention and Management Policy across regions such as an updated Management Action Plan Workbook, a new Default Assessment Tool and Workbook, new learning material and a Default Prevention and Management Policy Instructor Manual. These tools were developed with input from a Working Group that includes regional and HQ representatives.</p> <p>AES: Substantially implemented. Recommendation will be closed once DPMP guidance documents have been finalized and communicated nationally.</p> <p>Note: This follow up has been superceded by the Horizontal Audit of the Management Control Framework for Grants and Contributions 2011-2012 (Focus on Co-</p>

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			Management and Third Party Management) which will be reported to the September 2012 meeting of the Audit Committee.
<p>3. An integrated and standardized Quality Management Program* be developed and operationalized. The QMP to provide, as a minimum, clarity regarding:</p> <ul style="list-style-type: none"> • Roles and responsibilities of key stakeholders in regions and at HQ. • The Departmental approach and policy that defines expectations for implementing, monitoring and sustaining a risk-based approach to compliance reviews (including programs delivered via third party agents. • Departmental policy/guidance regarding acceptable model(s) for ensuring timely compliance reviews taking into account the attributes of those individuals assigned with such 	<p>The Senior ADM, Regional Operations, in collaboration with the CFO and Program ADM's, will develop and operationalize a Department-wide Quality Management Program for Grants and Contributions. The QMP will be designed to address the specific issues regarding roles and responsibilities of key stakeholders and the promotion of a risk-based approach to compliance reviews. Guidance will be developed regarding acceptable staffing/organizational models for compliance reviews with a view to promoting consistency and appropriate segregation of duties. The QMP will be developed by December 31, 2009 and implemented by June 30, 2010.</p>	<p>30 June, 2010</p>	<p>RO Update:</p> <p>Status: redirect to CFO as lead as recommended in the September 30/12 update.</p> <p>CFO Update: PROGRAM RESPONSE : Status : Request to close (completed) Update/Rationale: As of 31/03/2012:</p> <p>A Management Control Framework, General Assessment Tool, and Risk Assessment have been developed and are being used by the regions. A Recipient Audit Policy and Directive have been endorsed at Policy on Transfer Payments (PTP) ADM Steering Committee and approved by the Chief Financial Officer (CFO). Also, a three-year recipient audit plan has been approved by the CFO. The TPCOE Compliance Unit has been re-staffed. Furthermore, TPCOE and the Social Policy and Programs presented decks, policies and guidelines to the Director Generals Implementation and Operations Committee on a risk-based approach to compliance reviews. AANDC will look to maximize</p>

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<p>responsibilities (including their independence from the day-to-day activities)</p> <p>* Quality Management Program components to be tailored to the unique circumstances of Northern Regions.</p>			<p>the use of FNITP for compliance activities.</p> <p>AES: Implementation is on-going. Recommendation will be revisited once Program Compliance Framework has been approved and piloted.</p> <p>Note: This follow up has been superceded by the Horizontal Audit of the Management Control Framework for Grants and Contributions 2011-2012 (Focus on Co-Management and Third Party Management) which will be reported to the September 2012 meeting of the Audit Committee.</p>
<p>4. Standard expectations, guidance and tools be established for the implementation of quality control activities at the regional level, including guidance regarding the monitoring, review and documentation of recipient program reports.</p>	<p>The Senior ADM, Regional Operations, in collaboration with the CFO and Program ADM's, will develop a common set of expectations, guidance and tools for the implementation of quality control activities at the regional level.</p>	<p>June 30, 2009</p>	<p>RO Update: Status: completed.</p> <p>Recommended to close.</p> <p>CFO Update: PROGRAM RESPONSE : Status : Request to close (completed) Update/Rationale: As of 31/03/2012:</p> <p>A Management Control Framework, General Assessment Tool, and Risk Assessment have been developed and are being used by the regions. A Recipient Audit Policy and Directive have been</p>

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			<p>endorsed at Policy on Transfer Payments (PTP) ADM Steering Committee and approved by the Chief Financial Officer (CFO). Also, a three-year recipient audit plan has been approved by CFO. The TPCOE Compliance Unit has been re-staffed.</p> <p>Furthermore, TPCOE and the Social Policy and Programs presented decks, policies and guidelines to the Director Generals Implementation and Operations Committee on a risk-based approach to compliance reviews. AANDC will look to maximize the use of FNITP for compliance activities.</p> <p>AES: Implementation is on-going. Recommendation will be revisited once Program Compliance Framework has been approved and piloted.</p> <p>Note: This follow up has been superceded by the Horizontal Audit of the Management Control Framework for Grants and Contributions 2011-2012 (Focus on Co-Management and Third Party Management) which will be reported to the September 2012 meeting of the Audit Committee.</p>
5. Standard requirements be defined for the review of recipient's audited financial statements at a regional level, clarifying expectations related to the formality of the Audit Review Committee (ARC) and	The CFO, in collaboration with Senior ADM, Regional Operations and the CAE will develop a model for the review of recipient's audited financial statements as well as the expectations for the	June 30, 2009.	<p>RO Update: Status: completed.</p> <p>Recommend to close.</p>

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representation on the ARC.	composition and the role ARCs.		<p>CFO Update:</p> <p>PROGRAM RESPONSE : Status : Request to close (completed) Update/Rationale: As of 31/03/2012:</p> <p>CFO issues a Year End (Financial) Reporting Handbook that contains the reporting standards expected from recipients (e.g., consolidated audited financial statements and program schedules). This handbook is designed to be used in conjunction with AANDC funding agreements as it relates to financial reporting requirements. In addition, the handbook reflects the changes in the various Canadian Accounting Standards, known as Generally Accepted Accounting Principles (GAAP). The General Assessment tool used by all regions also contains risk considerations relating to financial factors such as liquidity and debt ratios. These factors are linked to funding agreement triggers in the FNITP system. A Recipient Audit Policy and Directive have been endorsed at Policy on Transfer Payments (PTP) ADM Steering Committee and approved by the Chief Financial Officer (CFO). Also, a three-year recipient audit plan has been approved by CFO. Underway are three (3) joint AANDC-Health Canada recipient audits and five (5) AANDC only recipient audits. All are scheduled to be completed by March 31, 2012.</p>

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			<p>AANDC has recently tabled the First Nations Financial Transparency Act: This bill addresses the issue of financial transparency for First Nation leaders by requiring the public disclosure of salaries and expenses of chiefs and councillors and First Nation's audited consolidated financial statements.</p> <p>AES: Full implementation requires the definition and documentation of consistent review practices in regions.</p> <p>Note: This follow up has been superceded by the Horizontal Audit of the Management Control Framework for Grants and Contributions 2011-2012 (Focus on Co-Management and Third Party Management) which will be reported to the September 2012 meeting of the Audit Committee.</p>
6. An audit clause be incorporated in the new CFNFAs outlining the right to conduct timely compliance reviews and program directives include CFNFAs within the requirements for audit, including stipulated frequency of these audits.	This recommendation has been addressed.	N/A	<p>Status: Implemented</p> <p>Update/Rationale: As of 30/09/2009:</p> <p>AES: Fully implemented. The recommendation will be closed.</p> <p>Note: This follow up has been superceded by</p>

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			the Horizontal Audit of the Management Control Framework for Grants and Contributions 2011-2012 (Focus on Co-Management and Third Party Management) which will be reported to the September 2012 meeting of the Audit Committee.