Indian and Northern Affairs Canada

Audit of the Post-Secondary Education Program

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Audit and Assurance Services Branch

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Initialisms and Abbreviations

AES   Audit and Evaluation Sector

AFA   Alternative Funding Arrangement

CFA   Comprehensive Funding Arrangement

CFNFA   Canada/First Nations Funding Agreement

CIMD   Corporate Information Management Directorate

ESDPP   Education and Social Development Programs and Partnerships Sector

FSO   Funding Service Officers

FTP   Flexible Transfer Payment

HQ   Headquarters

INAC   Indian and Northern Affairs Canada

ISSP   Indian Studies Support Program

NPSES   National Post-Secondary Education System

OAG   Office of the Auditor General

PSE   Post-Secondary Education

PSSSP   Post-Secondary Student Support Program

T&Cs   Terms and Conditions

TBS   Treasury Board of Canada Secretariat

UCEP   University and College Entrance Program

YERH   Year-End Reporting Handbook for First Nations, Tribal Councils and
                Political Organizations

Executive Summary

Introduction

The objective of the Post-Secondary Education Program ("the Program") is to improve the employability of First Nation people and Inuit by providing eligible students with access to education and skill development opportunities at the post-secondary level. Annual INAC disbursements under the Program are in excess of $300 million. The Program has three components as follows:

Post-Secondary Student Support Program (PSSSP) – This is the primary component of the Program. PSSSP provides financial support to First Nation and Inuit students who are enrolled in post-secondary programs including: community college and CEGEP diploma or certificate programs; undergraduate programs; and advanced or professional degree programs (e.g. dentistry).

University and College Entrance Preparation (UCEP) – This component of the Program provides financial support to First Nation and Inuit students who are enrolled in UCEP programs to enable them to attain the academic level required for entrance to degree and diploma credit programs.

Indian Studies Support Program (ISSP) – This component of the Program provides Indian organizations, Indian post-secondary institutions and other eligible Canadian post-secondary institutions with financial support for the research, development and delivery of college and university level courses for First Nation and Inuit students.

In accordance with the 2008-2011 Internal Audit Plan, an audit of the Program was conducted in Indian and Northern Affairs Canada (INAC) regions and at headquarters between June and August 2008.

Objective and Scope

The objective of the audit was to provide assurance on the adequacy and effectiveness of the management control framework of the Program and on the regional controls for administering recipient contributions to ensure compliance with applicable authorities and policy frameworks.

At the level of the management of the Program, the scope of the audit examined program design and approval, program implementation, and program monitoring and reporting. In regard to the regional controls for administering recipient contributions, the audit examined recipient and project eligibility, the development of funding agreements, and recipient reporting and monitoring.

During the conduct phase of the audit, the activities in four regional offices were examined in detail: Ontario, Saskatchewan, Alberta and British Columbia. Videoconferences were also conducted, during the planning and risk assessment phase, with the Manitoba, Quebec and Atlantic regional Offices. Two First Nation site visits were completed in each of the four regions visited during the conduct phase.

The internal audit was conducted in accordance with the requirements of the Treasury Board Secretariat (TBS) *Policy on Internal Audit* and the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.

Conclusions

Internal Audit is unable to provide assurance, as key components are lacking, that the Program's management control framework is adequate and effective in ensuring the achievement of Program objectives. In terms of regional controls for administering recipient contributions, Internal Audit concludes that while established procedures are in place for obtaining and reviewing performance and financial reporting, monitoring and compliance auditing activities are not sufficiently robust to provide assurance that there is consistent compliance with applicable legislation and policy and Program frameworks.

Internal Audit is of the opinion that:

- The funding authorities currently in use, coupled with the limited tracking of how funds are spent, do not support the sound stewardship of Program funds.

- Current allocation methodologies do not ensure that eligible students across the country have equitable access to post-secondary education.

- The Program's performance measurement framework does not provide relevant or complete data to properly measure and assess Program results.

- Limited monitoring is conducted of recipient compliance with Program and funding agreement T&Cs and compliance auditing levels are inadequate.

- ISSP funding is not adequately addressing the expected Program results of the increased availability of post-secondary education programs.

Recommendations

The audit report provides a number of recommendations intended to address the audit findings. Among the recommendations provided in the report, the Director General, Education Branch should:

- Re-assess, in conjunction with the Transfer Payments and Financial Policy Directorate, the funding authorities in use and the reporting needs of the Program, taking into consideration the department's obligation to account for the use of Program funds and the intended purposes of these funding authorities.

- Undertake a comprehensive review of the allocation methodology employed for the distribution of Program funds, in conjunction with Regional Directors General, to ensure eligible students in different regions have equitable access to Program funds. This review may need to consider the ability of each region to meet Program requirements within its existing core budget.

- Establish a process to enhance the performance measurement framework of the Program, by improving the relevance and integrity of performance data being captured; identifying and capturing new data that would enhance the existing framework; and ensuring that the Branch's new Performance Measurement System produces data to permit adequate and appropriate analysis evaluation and reporting.

- Establish, in conjunction with Regional Directors General, a process for conducting appropriate recipient monitoring and compliance auditing (on a risk based approach) to ensure that recipients are adhering to Program and funding agreement T&Cs.

- Establish, in conjunction with Regional Directors General, a process to be employed in the regions to ensure that the projects funded through the ISSP component of the Program adequately support all aspects and objectives of the Program.

1.0 Statement of Assurance

We have completed the internal audit of the Post-Secondary Education Program ("the Program") as managed by the Education Branch of the Education and Social Development Programs and Partnerships Sector (ESDPP) and delivered by the regional offices. The objective of the audit was to provide assurance on the adequacy and effectiveness of the management control framework of the Program and on the regional controls for administering recipient contributions to ensure compliance with applicable authorities and policy frameworks.

The internal audit was conducted in accordance with the requirements of the Treasury Board Secretariat (TBS) *Policy on Internal Audit* and the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.

The audit team assessed the management control framework against selected criteria from the Grants and Contributions Audit Criteria that were established by the Audit and Evaluation Sector (AES) in 2007 through consultation with Indian and Northern Affairs Canada (INAC) managers across the department and through consideration of other grants and contributions control frameworks.

In my professional judgment as Chief Audit and Evaluation Executive, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the conclusions reached and contained in this report. The conclusions were based on a comparison of the situations, as they existed at the time of the audit and against the audit criteria. It should be noted that the conclusions are only applicable for the areas examined.

2.0 Introduction

The objective of the Program is to improve the employability of First Nation people and Inuit by providing eligible students with access to education and skill development opportunities at the post-secondary level. As per the Program terms and conditions (T&Cs) approved by TBS, providing access to post-secondary education is intended to lead to greater participation of First Nation and Inuit students in post-secondary education programs, and higher employment rates for First Nation people and Inuit. The Program T&Cs further state that it is expected that students funded by this Program will have post-secondary educational outcomes comparable to other Canadians with similar educational backgrounds.

The Program has roots dating back to the 1970s. Policy authority for the Program was renewed to March 31, 2013, and the Program Terms and Conditions were extended to March 31, 2009. The Program has three components as follows:

Post-Secondary Student Support Program (PSSSP) – This is the primary component of the Program. PSSSP provides financial support to First Nation and Inuit students who are enrolled in post-secondary programs including: community college and CEGEP diploma or certificate programs; undergraduate programs; and advanced or professional degree programs (i.e. dentistry).

University and College Entrance Preparation (UCEP) – This component of the Program provides financial support to First Nation and Inuit students who are enrolled in UCEP programs to enable them to attain the academic level required for entrance to degree and diploma credit programs.

Indian Studies Support Program (ISSP) – This component of the Program provides Indian organizations, Indian post-secondary institutions and other eligible Canadian post-secondary institutions with financial support for the research, development and delivery of college and university level courses for First Nation and Inuit students.

Financial support under the PSSSP and UCEP components of the Program is intended to cover the costs of tuition, books, supplies, travel and living allowances for students and their dependents, as well as the costs of providing tutorial, guidance and counseling services to eligible students enrolled in post-secondary education programs. Financial support for incentives and scholarships are also eligible under the PSSSP component.

Financial support under the ISSP component of the Program is intended to cover the direct costs of developing and delivering college and university level courses for First Nation and Inuit students, or of research and development in First Nation and Inuit education.

Annual INAC disbursements under the Program are in excess of $300 million. The Program is administered by the INAC regional offices, while the Program is managed and coordinated at the national level by the Education Branch of ESDPP. Nationally, almost 100 percent of the Program is delivered directly by First Nations, their administering organizations, or educational institutions.

3.0 Objective

The objective of the audit was to obtain reasonable assurance:

- as to the adequacy and effectiveness of the management control framework of the Program; and

- that regional controls for administering recipient contributions were effective at ensuring compliance with applicable authorities and policy frameworks including both INAC and the Government of Canada.

4.0 Scope

At the level of the management of the Program, the scope of the audit examined:

- program design and approval;

- program implementation; and

- program monitoring and reporting.

In regard to the regional controls for administering recipient contributions, the audit examined:

- evaluation and documentation of recipient and project eligibility;

- development of funding agreements; and

- recipient reporting and monitoring.

At the regional level, the audit covered the 2007-08 fiscal year, with the exception of recipient financial reporting which covered the 2006-07 fiscal year. This was due to the fact that financial reporting by Program recipients was not due to INAC until July 2008 and therefore not necessarily available for review at the time of the audit fieldwork.

During the conduct phase of the audit, the activities in four regional offices were examined in detail: Ontario, Saskatchewan, Alberta and British Columbia. Videoconferences were also conducted, during the planning and risk assessment phase, with the Manitoba, Quebec and Atlantic regional offices. Two First Nation site visits were also conducted in each of the four regions visited during the conduct phase.

Given the limited Program expenditures in the Yukon, Northwest Territories and Nunavut regions, these regions were excluded from the audit.

5.0 Approach and Methodology

The audit was conducted in accordance with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing and the TBS *Policy on Internal Audit*. Sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the opinions provided and contained in this report.

Audit criteria were determined based on information gathered during a planning and risk assessment phase conducted by the audit team in May and June 2008. The criteria served as the basis for developing the audit approach and detailed audit program for the conduct phase. The audit criteria are provided at Annex A.

The principal audit techniques used included:

- *Documentation Review* – the documentation that was subject to examination included, but was not limited to, policies, directives, frameworks, and procedures relevant to the Program, as well as recent past audit and evaluation reports.

- *Recipient File Review* - file documentation was examined for a sample of 55 recipient funding arrangements in the four regions visited. File reviews were conducted using an audit checklist developed to assess compliance with relevant audit criteria, Program T&Cs as approved by TBS, and the TBS *Policy on Transfer Payments*.

- *Interviews* – interviews were conducted with management and personnel responsible for Program delivery at headquarters (HQ), in each of the four regions visited, and in the Manitoba, Quebec and Atlantic regions through videoconferences. Personnel were also interviewed in other HQ areas including those within Corporate Information Management Directorate, Transfer Payments and Financial Policy Directorate, Resource Management Directorate, and Information Management Branch. Interview guides were developed for interviews conducted, taking into consideration the objective of the audit and the audit criteria developed.

- *First Nation Site Visits* – recipient site visits were conducted in each of the four regions visited during the conduct phase of the audit. Two recipients were visited in each region, in order to gain an understanding of how the Program was being administered by the recipients and, to the extent possible, assess compliance with Program T&Cs. An assessment and compliance checklist was established and used during each of these visits.

Audit fieldwork was conducted in the regions and at HQ between June and August 2008.

6.0 Conclusions

Internal Audit is unable to provide assurance, as key components are lacking, that the Program's management control framework is adequate and effective in ensuring the achievement of Program objectives. In terms of regional controls for administering

recipient contributions, Internal Audit concludes that while established procedures are in place for obtaining and reviewing performance and financial reporting, monitoring and compliance auditing activities are not sufficiently robust to ensure consistent compliance with applicable legislation and policy and Program frameworks.

7.0 Observations and Recommendations

As noted in the Scope section of this report, the audit examined three areas at the Program management level and three areas at the regional control (or agreement) level. These areas of examination were defined in the Grant and Contributions Audit Criteria established by the AES in 2007. The observations provided below have been organized in accordance with these areas of examination.

Internal Audit recognizes that there is a certain degree of interrelatedness in the observations provided in the report. This is due, in part, to the funding authorities in use, as well as our preference to have observations segregated by area of examination in order to allow for the establishment of appropriate and specific recommendations in response to the audit.

The observations provided in sections 7.1 to 7.3 generally relate to the PSSSP and UCEP components of the Program, while observations with respect to the ISSP component are addressed in section 7.4 of the report.

7.1 Program Design and Approval

Program design and approval activities consist of those activities conducted by program managers and departmental senior management to design an effective program based on an identified need and to gain Cabinet and TBS approval.

7.1.1 Funding Authorities

The funding authorities currently in use, coupled with the limited tracking of how funds are spent, do not support the sound stewardship of Program funds

The department uses various funding authorities to implement the Program. PSSSP and UCEP funding is provided to recipients funded through a Comprehensive Funding Arrangement (CFA) as a Flexible Transfer Payment (FTP) and to recipients funded through a Canada/First Nations Funding Agreement (CFNFA) as an Alternative Funding Arrangement (AFA). The use of these funding authorities is consistent with the Program T&Cs as well as the FTP and AFA T&Cs.

The AFA is a funding authority that provides multi-year (block) funding, under a CFNFA, to eligible First Nations and Tribal Councils that meet certain assessment criteria. The AFA authority allows First Nation and Tribal Council recipients to re-design programs and allocate funding to meet the needs and priorities of their

communities, subject to meeting minimum program delivery requirements. To the extent that minimum program requirements are met (as identified in individual program T&Cs), the AFA allows recipients to retain unexpended balances at the end of each fiscal year.

The FTP is a funding authority that provides First Nations and Tribal Councils, under a CFA, with funding on a program basis. While FTP recipients are required to provide programs and services as designed by INAC, they are encouraged to effectively manage these programs and services within a fixed budget, as they are also able to retain unexpended funds provided minimum program requirements have been met.

Our review of funding arrangement files, as well as the work performed by certain regional offices in regard to reported Program expenditures, confirmed that many recipients reported unexpended (surplus) Program funds for the 2006/07 fiscal year. Our review of audited financial statements from 2006/07, as well as past audit and evaluation reports on the Program, indicated that such annual Program surpluses are not uncommon. The full extent of Program surpluses is difficult to determine as recipients are not required to report on specific Program spending (this issue is addressed in detail later in this report).

While Program management (at HQ) is aware that Program surpluses exist, no systematic process has been developed to track or quantify these surpluses. The only information currently maintained by the department is the amount of Program funds disbursed to recipients (as captured in OASIS), not the actual amount spent by recipients. Without information on actual amounts spent:

- Headquarters cannot accurately report to Parliament on the actual use of Program funds;

- Headquarters lacks essential information to support Program planning and results measurement, and to identify when corrective action is required; and

- Headquarters lacks essential information to assess Program effectiveness (although they are able to report on the number of students supported in a given year, they are not able to compare this information against actual Program spending by recipients).

Internal Audit is of the opinion that without detailed information on the actual level of Program spending by recipients, and therefore the extent of Program surpluses, the department is not able to demonstrate the adequate stewardship of Program funds.

Recommendations:

1. The Director General, Education Branch should develop a process to determine actual Program spending by recipients and to incorporate this information into Program planning, results measurement, and an ongoing Program adjustment process to further the success of the Program.

2. The Director General, Education Branch, in conjunction with the Transfer Payments and Financial Policy Directorate, should re-assess the funding authorities in use and the reporting needs of the Program, taking into consideration the department's obligation to account for the use of Program funds and the intended purposes of these funding authorities.

7.1.2 Recipient Funding Requirements

No analysis has been conducted to determine the minimum amount of recipient funding required to achieve Program objectives

The objective of the Program is to improve the employability of First Nation people and Inuit by providing eligible students with access to education and skill development opportunities at the post-secondary level. As per the Program T&Cs approved by TBS, providing access to post-secondary education funding is intended to lead to greater participation of First Nation and Inuit students in post-secondary programs and therefore higher employment rates for First Nation people and Inuit.

The Program, initially administered by the department, provided funding for all eligible students. In 1989, the Program was revised to allow for the deferral of student applications in instances where student eligibility exceeded the available Program budget. As was explained during one regional visit, recipient funding at that time moved from "a demand driven (fully funded) model" to an "equitable distribution of available funds" model. Since then, TBS allocations to the department have increased on a percentage basis, with current increases at 2% annually.

It is apparent that at least two external factors currently jeopardize Program effectiveness. Firstly, the cost of sending a student to a post-secondary institution is increasing, most notably in the area of tuition costs. While the scope of the audit did not include a detailed analysis of tuition costs, information from Statistics Canada indicates that the average annual increase in these costs over the past decade was 4.3%[1]. The audit also noted that student enrollment in the Program has declined over the past eight years from 27,000 students (1998/99) to 22,000 students (2006-2007)

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[1] Survey of Tuition and Living Accommodation Costs for Full-Time Students at Canadian Degree-granting Institutions.

Secondly, there is evidence to suggest that not all eligible students are able to obtain Program financial support due to a lack of Program funds. While the department does not gather information nationally of wait-listed (or deferred) students, regional office visits confirmed that some First Nation recipients have wait-listed students. The audit team also noted that the Office of the Auditor General (OAG) reported in November 2004 that (in 2000) the Assembly of First Nations estimated that a lack of funding was preventing approximately 9,500 First Nations people from pursuing post-secondary education.

While there appears to be sufficient evidence to suggest that the cost of obtaining post-secondary education is increasing (at a rate greater the annual increases provided to INAC) and that some Program recipients have wait-listed students, no analysis has been conducted by Program management at headquarters on the impact these factors are having on the department's ability to achieve the Program's objective of improving the employability of First Nation people and Inuit.

It is the view of Internal Audit that a lack of analysis in regard to the sufficiency of Program funds hinders the department's ability to assess the extent to which Program objectives can be achieved. Any analysis of the level of Program funding should also consider the extent of funding surpluses reported by recipients (as previously noted) and the reasons behind these surpluses.

Recommendation:

3. The Director General, Education Branch should undertake a review of the sufficiency and appropriateness of recipient funding requirements, in light of increasing education costs and the available information on wait-listed students, to ensure that the department is able to meet the objectives of the Program.

7.1.3 Performance Measurement

The performance measurement framework currently in place does not provide relevant or complete data to support the management of the Program

In order to ensure the achievement of program objectives, it is important that clear and appropriate performance measures, results indicators and targets be developed. Sound performance measures allow management to track progress, measure results, and make ongoing program adjustments to improve results and achieve objectives.

The performance related data that is currently captured and accumulated with respect to the Program is obtained through two annual reports submitted by recipients:

- an enrollment report – identifying all students receiving post-secondary funding and attending school as at November 1 of each year; and

- a graduation report – identifying all students who graduated from their studies during the previous year.

The financial data that is captured and accumulated on the Program is limited to the information recorded in INAC's OASIS system at the time the funds are disbursed to recipients. While some recipients report on specific Program receipts and disbursements as part of their annual audited financial statement reporting, such reporting is not mandatory and the information is not accumulated or analyzed by the department (this matter is discussed in greater detail later in this report). Furthermore, the systems that capture performance data and financial data are not linked.

Past audits and an evaluation of the Program identified the need for better information to support Program management. The issue was partially addressed by the creation of the National Post-Secondary Education System (NPSES). NPSES captures and accumulates the annual enrollment and graduation information reported by recipients. The system was rolled out in 2003-2004 and appears to have eliminated a number of past issues with respect to data collection, such as the use of different information systems in different regions. Issues, however, persist with respect to the Program's performance measurement framework.

The audit team identified two ongoing issues with respect to performance measurement. Firstly, there are limitations with respect to the data currently being captured and stored in NPSES. The system is maintained by personnel in Corporate Information Management Directorate (CIMD). While NPSES has controls that validate data as it is entered into the system, CIMD personnel identified a number of shortcomings in regard to the data being captured. These issues include: outdated areas of study, limited codes for the qualifications sought by students, reporting due dates that do not ensure all student enrollment is captured, and students recorded in the system that are attending non-eligible institutions. CIMD also cited limitations in the reporting capabilities of NPSES.

Secondly, there is additional performance and financial data that, if collected, would improve the department's ability to measure and assess Program results. As previously noted, the department would likely benefit from information on actual Program spending and on wait-listed students. Other data that would likely support improved Program performance measurement and annual planning if collected includes, amongst others: data on the number of years of financial support provided to a student, data on the

average cost (direct and indirect) by student by recipient, data on drop-out levels by recipient, data on the number of programs for which a student has received funding, and data on the percentage of students graduated/not graduated.

Internal Audit is of the view that the integrity and completeness of Program data needs to be improved to allow the department to properly measure and assess Program results and to ultimately improve the performance of the Program. Although issues surrounding data integrity and completeness have existed for some time, progress toward the resolution of these issues has been limited. While Internal Audit is aware of the sensitivities around requesting additional reporting from First Nations, it is the view of Internal Audit that some of the data required for Program target setting and performance assessment is currently gathered by the department. The challenge is therefore to establish a system and process for extracting, consolidating and analyzing the information.

The audit team did note that TBS had recently approved an Education Branch submission for $268M (over the next 5 years) to support the implementation of new accountability initiatives in Education programs. The Branch has also recently prepared a Preliminary Project Approval for the support and development of an education specific Performance Measurement System ($26M) for submission to TBS. While the recent TBS submission and the Preliminary Project Approval propose numerous performance measurement improvements for the Branch, no new performance measures are being considered for the Program. An integrated and improved Performance Measurement System that includes the Program would, however, allow for better extraction and analysis of the data currently being captured.

Recommendation:

4. The Director General, Education Branch should establish a process to enhance the performance measurement framework currently in place in support of the Program to:

    *   improve the relevance and integrity of the performance data currently being captured by the Branch, in conjunction with CIMD;

    *   identify and capture new data that would enhance the existing performance measurement framework; and

    *   ensure that the Branch's new Performance Measurement System produces data to permit adequate and appropriate analysis evaluation and reporting.

7.2   Program Implementation and Monitoring

Program implementation includes the policy and procedures, resources, systems and supporting tools developed at the program level to facilitate consistent implementation of

a program across all regions and to promote the achievement of program objectives. Program monitoring consists of sufficient review and oversight, conducted on a timely basis by program management, to promote the achievement of program objectives and to identify issues for resolution.

7.2.1 Allocation Methodologies

Current allocation methodologies do not ensure that eligible students across the country have equitable access to post-secondary education

The allocation of Program funding involves the distribution of funds from HQ to the regions and from the regions to the recipients. The Program T&Cs state that "the level of funding to a recipient will be determined by historical allocation or formula", however no further explanation is provided. The *Program Policy* and the *Post-Secondary Education National Program Guidelines* (*PSE Guidelines*) are silent with respect to Program allocations.

Regional visits and funding agreement files examined confirmed that while CFNFA funding increases are formula driven, and that the increases apply to all programs included in the funding "block" (including the Program), the CFA allocation model for the Program varies by region. In two of the regions visited, Program allocations are based on the 18 – 34 age cohorts in each recipient and in the region as a whole. Another region allocates Program funds based on the prior year's funded amounts, retaining annual Program increases in a pool and allocating the funds to only those recipients that are able to demonstrate unfunded demands (wait-listed students). Lastly, another region allocates Program funds to recipients based on their prior year's audited eligible expenditures and allows them to apply for additional funds from the pool of Program funds that remains unallocated, assuming they can demonstrate demand. The amounts disbursed to recipients by the regions are recorded in OASIS by Program activity.

HQ management is aware that the regions use different allocation methods for the Program. They attribute their use to "regional differences". While each of the regional allocation methods was found to have benefits, relative to a simple formula driven approach, the audit team found no rationale to support the use of different allocation methods by the regions.

In terms of the allocation of funds from HQ to the regions, Program funding is a component of each region's annual core budget. The Education Branch does not determine the amount of Program funding to be allocated to each region. This is the responsibility of the Resource Management Directorate in Finance at HQ. While some programs have specific allocations to the regions ("non-core budget" funds), the Program is included as part of the "core budget" provided to the regions. Since 1998/99, a global funding methodology has been employed that allocates core budget funds to the regions annually, with no breakdown of the core funds by program. National budget increases

(currently 2% annually) are allocated to each region in proportion to their existing budgets.

As part of the audit team's analysis of Program allocations, a comparison was made of total Program disbursements by region (not including ISSP) to the total number of First Nation people and Inuit in the 18 to 34 age cohort by region (as at December 31, 2007). While the 18-34 cohort may not represent the best or only means of assessing the "equitableness" of the regional allocations, it does take into consideration the population of the most likely Program applicants and it is a factor used by at least two regions. This analysis identified a notable variance in Program disbursements by region in 2007/08. The amounts disbursed by the regions ranged from $1,609 per 18-34 age cohort in the Ontario region, to $941 per 18-34 age cohort in the Atlantic region.

The regions have the authority to allocate funds across the various programs included in their core budget and therefore ultimately decide the extent of Program funding to provide to their recipients. While this may explain many of the variances identified in regional disbursements, the variances may be due, in part, to the level of Program funding provided to each region at the time the global funding methodology was established (1998/99). Personnel within Resource Management Directorate noted that to the extent Program allocations to the regions were not necessarily "equitable" at the time the global funding methodology was established, such inequities would likely still exist as annual funding increases to the regions have been limited to proportionate increases to existing budgets. Changing demographics within recipients and regions since 1998/99 are likely also a factor.

Internal Audit is of the view that the allocation methodologies currently in place do not ensure that eligible students across the country have equitable access to post-secondary education. No rationale was found to support the different allocation methods used in the different regions, nor was there support identified for the range of disbursements per 18-34 age cohort across the regions. Accordingly, recipients in the various regions may be receiving a disproportionate share of the available Program funds.

Recommendation:

5. The Director General, Education Branch should undertake a comprehensive review of the allocation methodology employed for the distribution of Program funds, in conjunction with Regional Directors General, to ensure eligible students in different regions have equitable access to Program funds. This review may need to consider the ability of each region to meet Program requirements within its existing core budget.

7.2.2 Program Requirements

Minimum Program requirements and required delivery standards are not adequately defined to help ensure that recipients use the Program funds they receive for the intended purpose

The delivery standards (requirements) for the Program, as defined in the current CFA and CFNFA national templates, state that recipients are to provide financial assistance for post-secondary education to eligible treaty/registered Indians living on and off reserve, ordinarily residing in Canada, in accordance with the recipient's approved Budget and written guidelines or policies (in the case of a CFNFA) or by applying the departmental eligibility requirements (in the case of a CFA). The CFA template further states that the recipient shall ensure the Program is administered in accordance with the Department's *PSE Guidelines*.

These delivery standards are worded similarly within the Program T&Cs, under the heading Application Requirements. No other wording is provided in the Program T&Cs specific to "required delivery standards". The *PSE Guidelines* are silent in regard to minimum Program requirements or required delivery standards for recipients.

Internal Audit found the minimum Program requirements and delivery standards to be vague and ambiguous in light of the funding authorities in use. As previously noted, AFA and FTP funding authorities allow recipients to retain unexpended program funds once "minimum program requirements" have been met. To the extent that minimum Program requirements or delivery standards are not well defined, the level and consistency of Program delivery is open to interpretation. While the objective of these funding authorities is to encourage recipients to be effective in program delivery and to provide recipients with flexibility to meet community needs, the department remains obliged to ensure that the Program objectives are met and that funds are used for the intended purpose. Accordingly, the minimum Program requirements and delivery standards must be clear and explicit.

Internal Audit is of the view that the minimum Program requirements and required delivery standards are not adequately defined to help ensure that recipients utilize the Program funds received for the intended purposes. Accordingly, the level and consistency of Program delivery is open to interpretations.

Recommendation:

6. The Director General, Education Branch should ensure that the minimum Program requirements and delivery standards (requirements) provide sufficient clarity to recipients to ensure they understand departmental expectations in operating a post-secondary education program, and to INAC personnel to ensure they are able to assess and determine, as part of Program monitoring, whether recipients are meeting Program requirements.

7.2.3 Program Management

There is a general lack of Program planning, support and guidance, and performance monitoring and review on the part of HQ

In order to ensure efficient and effective program implementation, appropriate policies and procedures must be established, sufficient human resources with appropriate capacities must be dedicated to the program, roles and responsibilities must be defined, and systems and support tools must be developed. This is typically the role of HQ. This role generally requires the development of risk management processes, the establishment of annual plans, the monitoring of program performance, the establishment of on-going communication processes, and the provision of adequate guidance to regional offices.

Delivery of the Program was devolved to First Nation and Tribal Council recipients a number of years ago. Under the delivery model currently in place, HQ is responsible for the overall management of the Program (as described above), while regional offices are responsible for establishing funding arrangements, disbursing funds, monitoring adherence to agreement T&Cs, and capturing and accumulating performance and financial information.

The audit found that HQ dedicates limited time and resources to the management of the Program. Program management (at HQ) acknowledged that the primary focus of the Education Branch at HQ is the Elementary and Secondary School (K to 12) Program. The audit also noted this emphasis in the recent program documentation developed by the Education Branch to support its many programs. Both the Branch's recent *Draft Management Framework* and *Draft Policy Framework*, as well as its recent TBS submission in support of new accountability initiatives ($268M over 5 years), focused primarily on the needs of the K to 12 Program. The audit noted limited direct reference

to the Program in these documents. While the approximately \$300M disbursed under the Program may be relatively small in comparison to the approximately \$900M disbursed under the K to 12 Program, it is nonetheless a significant government expenditure.

Specifically in regard to HQ's management of the Program, the audit noted that:

- Program T&Cs, the *Program Policy* (1989), and the *PSE Guidelines* have not been updated to provide regional offices and recipients with more complete and current information on Program requirements;
- no long-term and/or annual plans have been developed in an effort to operationalize Program objectives;
- there is a lack of adequate communication between HQ and regions, and limited support/guidance provided to the regional offices, in regard to the administration and management of the Program;
- roles and responsibilities for HQ, the regions, and recipients have been drafted and circulated to the regions, but have not been validated and finalized;
- no human resourcing plan has been developed or implemented by HQ to ensure the required level of resources (e.g. full-time equivalents, operations) and required competencies are available;
- no risk management process has been established by HQ, and only recently was a risk assessment conducted (by Finance) that considered the Program;
- no oversight or compliance monitoring of regional operations is being conducted by HQ and therefore HQ is not able to determine if regional activities are in compliance with the *Program Policy* and procedures; and
- there has been limited progress toward the achievement of management action plans in response to past audit and evaluation report findings.

It is the view of Internal Audit that HQ must take a more structured and proactive role in the management and implementation of the Program, and that greater due diligence is required on the part of HQ in the oversight of regional office activities. The Program may benefit from dedicated HQ staff to manage the Program and to communicate with the regions.

Recommendation:

7. The Director General, Education Branch should establish a management control framework (a set of policies and procedures to ensure that results are achieved and Program objectives are met) specific to the Program that includes, but is not necessarily limited to:

- a process for regularly updating the foundations of the Program, such as the Program T&Cs, the *Program Policy*, the *PSE Guidelines,* and possibly an Operations Manual*,* to ensure that these documents remain relevant and sufficiently comprehensive;

- an annual planning process that establishes objectives and targets for the Program each year, with a view to the continuous improvement of Program results (through the measuring and assessing of Program performance) and the enhancement of Program efficiencies;

- providing guidance, direction to and oversight of regional offices through the provision of support tools, regular communications, operational guidelines, and well defined and communicated roles and responsibilities;

- a resource planning process that considers the level of personnel needed to administer the Program, to meet Program objectives, and to ensure sufficient Program and agreement monitoring and oversight; and

- a risk management process that identifies Program risks on an annual basis, provides a strategy for mitigating such risks on an ongoing basis, and ensures regular monitoring and sufficient risk based compliance auditing of recipients.

7.3 Agreement Monitoring and Reporting

Agreement monitoring and reporting includes those activities, conducted by regional offices in the case of the Program, to ensure compliance with program terms and conditions and with funding agreements.

7.3.1 Recipient Reporting

Financial reporting requirements, along with limited financial review conducted by regional offices, does not provide sufficient consideration of financial information provided by recipients

The TBS *Guide on Grants, Contributions and Other Transfer Payments* stipulates that "Program officers are expected to monitor regularly the progress and activities of recipients of contributions or other conditional transfers". It describes monitoring as a "crucial element of a transfer payment program control framework." For the Program, the monitoring of recipient compliance is the responsibility of the regional offices. Regional monitoring includes, among other activities, ensuring that recipients' performance and financial reports are received and reviewed in accordance with the Program and funding agreement T&Cs.

In regard to financial reporting, recipients are required to submit annual audited financial statements, as specified in the *Year-End Reporting Handbook for First Nations, Tribal Councils and First Nation Political Organizations* (*YERH*), by July 31st of each year. The *YERH* further requires that recipients prepare separate schedules of revenue and expenditures for all Contribution funded programs and services specified in their funding agreements. This requirement is intended primarily to ensure that reporting on programs funded through Contributions are segregated, or separated, from programs funded through FTP or AFA funding authorities. In this way, a financial review can be completed of the Contribution funded programs to ensure that reported expenses are appropriate and any unexpended funds are earmarked for recovery from the recipient. No such schedules are required from recipients in regard to AFA or FTP funded programs, although some recipients do provide them.

The information provided in the annual audited financial statements and separate schedules is subject to an "Audit Review" process by regional office personnel. The purpose of the Audit Review is to determine the overall financial position of the recipient as well as to assess compliance with the terms and conditions of the funding agreement.

While the audit found well established procedures in place with respect to the obtaining and reviewing of performance and financial reports in each region, the audit found the Audit Review process in support of the Program to be limited. The audit found that where no Program specific schedule was provided, no financial review of Program compliance could be conducted by regional office personnel. In those instances where a Program specific schedule was provided, the audit noted that no actions had been taken by the region, despite the fact that non-eligible expenses were reported by recipients (the section of the report that follows provides particulars in regard to these expenses). The audit also noted that no action was typically taken to determine the nature of reported surpluses.

The issue of non-eligible expenses and reported surpluses was discussed with Funding Service Officers (FSOs) in the regional offices. They advised that recipients have the authority to retain surplus funds. Accordingly, should the recipients wish to spend their surplus funds on non-eligible Program expenses, they have the authority to do so. Given this notion, the Audit Review work performed by regional offices did not take exception to non-eligible expenses reported by recipients.

Internal Audit is of the view that, notwithstanding the funding authorities in place, the use of Program funds to cover non-eligible expenditures is in violation of the Program T&Cs and could be denying other eligible students from intended Program support. Internal Audit is also of the view that Program surpluses should be adequately investigated to determine their appropriateness. Finally, Internal Audit is of the view that the lack of reporting requirements with respect to FTP and AFA funded programs is contrary to the department's obligation to ensure that due diligence is exercised in the monitoring of program recipients and that funds are spent for the intended purposes.

Recommendations:

8. The Director General, Education Branch should, in conjunction with Regional Directors General, ensure that the Audit Review process be enhanced to ensure that non-eligible Program expenses are appropriately addressed and that Program surpluses are adequately investigated, and that, if necessary, the recipient be subject to further review or auditing activities.

9. The Director General, Education Branch, in conjunction with the Transfer Payments and Financial Policy Directorate, should re-assess the financial reporting requirements of the Program, taking into consideration the department's obligation to ensure due diligence in the monitoring of Program recipients and that funds are spent for the intended purposes.

7.3.2 Reported Program Expenditures

Recipients that provide Program specific schedules of revenue and expenditures report various non-eligible expenses

As noted, the Program is funded through AFA or FTP funding authorities and as such a separate schedule of Program revenue and expenses is not required. The audit found, however, that a separate schedule of Program revenue and expenditures was provided by recipients in 34 of the 55 funding arrangement files examined in the regions for 2006/07.

The majority of the 34 schedules provided by the recipients included expenses that were not eligible under the Program T&Cs. Eligible expenses per the Program T&Cs (for PSSSP and UCEP) are limited to: tuition and other required student fees, books, supplies, travel and living allowances (for students and their dependents), incentives and scholarships, and the cost of providing tutorial, guidance and counseling services for eligible students enrolled in post-secondary education programs. All such costs are student specific, direct expenses.

In reviewing the 34 schedules, non-eligible expenses were noted exceeding $3.2M. These expenses included (but were not limited to): administration costs, capital expenditures, child care costs, staff salaries and benefits, staff training/meetings, staff or council travel expenses, office expenses and utility costs. While many of these indirect costs were considered by the audit team to support the operation of a post-secondary education program, these expenses are not included in the Program T&Cs and therefore are not eligible. The audit team is not aware of any recent review having been conducted by headquarters to consider the possible inclusion of such costs in the Program T&Cs. To the extent that such a review were conducted, it would be necessary to consider: the impact of such costs on Program delivery and Program objectives; the need to restrict or limit the level of indirect costs allowed; the need to determine and define the costs that

recipients would continue to bear; and the reasoning behind any past Program decisions that may have intended to limit the nature of eligible Program costs (modifications to the Program in 1989 reduced the category of eligible Program expenses).

It is the view of Internal Audit that HQ and the regional offices must review the eligible expenses as provided for in the Program T&Cs, taking into consideration the costs that a recipient would typically incur in operating a post-secondary education program.

Recommendation:

10. The Director General, Education Branch should conduct a thorough review of eligible Program expenses and, to the extent that it is determined that the eligible expenses in the Program T&Cs are deficient, update the Program T&Cs, *Program Policy* and the *PSE Guidelines* to include those expenses deemed appropriate.

7.3.3 Agreement Monitoring and Compliance Auditing

Limited monitoring is conducted of recipient compliance with Program and funding agreement T&Cs and compliance auditing levels are inadequate

As noted, the TBS Guide on Grants, Contributions and Other Transfer Payments stipulates that "Program officers are expected to monitor regularly the progress and activities of recipients of contributions or other conditional transfers". In addition to ensuring performance and financial reporting adherence with the Program and funding agreement T&Cs, the monitoring activities of regional offices were expected to include:

- the conduct of site visits, meetings, briefings, and telephone conversations with recipients to ensure programs and services are delivered in accordance with the Program and funding agreement T&Cs; and

- the carrying out of formal reviews or compliance audits of recipients (conducted on a risk based approach) to ensure adherence to Program and funding agreement T&Cs.

The audit noted that FSOs in the regional offices are the primary point of contact for recipients. Typically, an FSO is responsible for between 5 and 10 recipients (depending on their location) and for all matters and all programs relating to those recipients. The audit found that planned or organized monitoring of Program recipient performance, such as the completion of regular site visits to ensure adherence to Program and funding agreement T&Cs, was not occurring. FSOs in the regions reported that their workloads did not allow for regular site visits and meetings, but that they frequently communicated with recipients in regard to specific program matters. While regional offices also employ Education personnel that are responsible to address Program specific issues as they relate

to all recipients, Education personnel were not assigned specifically to the Program and it was apparent that the focus of these personnel was the K to 12 program, similar to headquarters personnel.

With regard to compliance auditing, the audit found that only two of the four regions visited were conducting compliance audits, with only one region attempting to comply with the *Education Programs Compliance Directive* of 2005. The *Education Programs Compliance Directive* requires that regional offices audit one third of all Program recipients each year, however, regional personnel suggested that the regions did not have the resources to comply with this requirement. In terms of the compliance audits that are being conducted, it was noted that review work was limited to non-financial compliance matters. Regional personnel cited the fact that since funds are provided through FTP or AFA funding authorities, recipients are allowed to retain funding surpluses, negating the need for financial compliance activities (as noted earlier).

Notwithstanding the unique nature of the funding authorities in use at INAC, it is the view of Internal Audit that there is an obligation on the part of regional offices to ensure sufficient due diligence in the monitoring of Program activities and Program spending. Recipients are only allowed to retain surpluses at year end if they have met the minimum requirements of the Program. Without regular review and compliance auditing activities, the department has no means of ensuring that a recipient is entitled to the surplus it reports.

It is the view of Internal Audit that the degree of monitoring and compliance auditing being employed by regional offices is inadequate to ensure compliance with Program T&Cs and with the T&Cs of the funding agreements.

Recommendation:

11. The Director General, Education Branch should establish, in conjunction with Regional Directors General, a process for conducting appropriate recipient monitoring and compliance auditing (financial and non-financial, on a risk based approach) to ensure that recipients are adhering to Program (including ISSP) and funding agreement T&Cs. Consideration should also be given to resources and capabilities within the regional offices to conduct monitoring and complete compliance audits.

7.4 ISSP

7.4.1 Use of ISSP Funds

ISSP funding is not adequately addressing the expected Program result of the increased availability of post-secondary education programs

The ISSP component of the Program is unique from the PSSSP and UCEP components. ISSP provides Indian organizations, Indian post-secondary institutions and other eligible Canadian post-secondary institutions with support for "the development and delivery of college and university level courses for First Nation and Inuit students, and research and development on First Nation and Inuit education". The Program T&Cs state that ISSP is expected to "increase the availability of post-secondary education programs" tailored to First Nation and Inuit cultural and educational needs and thus "increase the number of First Nation and Inuit students" pursuing a post-secondary education.

While the Program T&Cs specify that ISSP funding is to support: course 'development', course 'delivery', and 'research and development', the audit found that ISSP funding is primarily limited to the support of course 'delivery'. Although the audit team only examined ISSP files from the 2007/08 fiscal year, regional interviews and a review of ISSP funding over the past three years (as captured in OASIS) suggested that many of the same organizations received ISSP funding each year, often with relatively consistent funding amounts, for the delivery of ongoing courses. Personnel in three of the four regions visited indicated that ISSP funding generally supports the same organizations and courses each year. The audit noted that the only organization that is authorized to receive funding on an annual, ongoing basis is the First Nation University of Canada, which is identified specifically in the Program T&Cs as a recipient entitled to receive "operational funding".

The audit found that while ISSP funding currently supports the delivery of ongoing college and university level courses for First Nation and Inuit students, limited funding is being directed to the research and development of new courses for these students.

It is the view of Internal Audit that to ensure the increased availability of post-secondary education programs tailored to First Nation and Inuit cultural and educational needs, funding must be adequately provided to the development of new courses for First Nation and Inuit students.

Recommendation:

12. The Director General, Education Branch should, in conjunction with Regional Directors General, establish a process to be employed in the regions to ensure that the projects funded through the ISSP component of the Program adequately support all aspects and objectives of the Program.

7.4.2 Adherence to Program T&Cs and Reporting Requirements

Funding proposals and final reports are not always requested or submitted as per the Program T&Cs and INAC Reporting Requirements

The ISSP component of the Program is proposal-driven (with the exception of the First Nation University of Canada). The Program T&Cs specifically define the information that is to be included in each proposal. They include evidence of the need for the proposed program, identification of the target student population and evidence of Indian support for the program, and a statement of measurable program objectives. The *PSE Guidelines* support the Program T&Cs stating that ISSP is to be funded "on the basis of approved proposals only". As part of the proposal submission process, the *PSE Guidelines* state that regional officials must establish a process to review ISSP proposals annually and that this process be included in their regional management regimes.

In addition to proposals, recipients who receive ISSP funding are also required to submit an ISSP report at the end of the year. As per INAC's *Recipient Reporting Guide*, ISSP reports are to summarize the special program(s) administered during the past fiscal year to assist students in Native Studies and must demonstrate the degree to which the program(s) met the objectives that were originally outlined for the program and as a means of accounting for the funds provided.

The proposal submission process, proposal evaluation and selection process and project reporting requirements are all essential elements of a sound Contribution program. They are also specific requirements of the ISSP Program. Despite this, the audit found that only one of the four regions visited was adhering to the Program T&Cs and the *Recipient Reporting Guide* with respect to the proposal and annual reporting processes. Within the three regions that were not in adherence, the audit noted: that a proposal submission process was either not in place or proposals were only requested from organizations that had received funding in prior years; that no proposal review and selection process was in place to evaluate proposals submitted; and that final reports were either not submitted or were not submitted with the information required as per the *Recipient Reporting Guide*.

Internal Audit is of the view that the lack of adherence to the ISSP Program requirements (proposal submission, proposal evaluation and selection, and project reporting), hinders the Program's ability to ensure the most appropriate projects are being selected for funding and that the projects that are funded are meeting their stated objectives.

Recommendation:

13. The Director General, Education Branch should, in conjunction with Regional Directors General, ensure that regional offices adhere to the Program T&Cs, *PSE Guidelines*, and *Recipient Reporting Guide* in regard to obtaining, reviewing, and evaluating ISSP proposals, and obtaining of annual ISSP reports from recipients.

7.4.3 Financial Reporting

Financial information reported by recipients is limited and the information that is provided raises concerns about the eligibility of reported expenses

ISSP funding is provided to recipients as Contribution funding. The *YERH* requires that First Nation, Tribal Council, and First Nation Political Organization recipients prepare separate schedules of revenue and expenditures for all Contribution funded programs and services specified in their funding agreements, and that these schedules be included with their audited financial statements. The *YERH* does not require that these schedules be audited. For all other types of recipients, a similar schedule of revenue and expenditures is required.

The audit found that recipients did not always provide a separate schedule of revenue and expenditures for ISSP. In addition, when a separate schedule was provided, the expenditures reported by recipients often provided limited detail in regard to the nature of actual expenses incurred. Finally, the audit found that certain reported expenses were ineligible. Given the Contribution requirement that any unexpended or ineligible expenses be returned by recipients at year end, and considering that no compliance auditing was observed in regard to ISSP, the department has no way of determining whether funds may be owing to the department.

Internal Audit is of the view that ISSP financial reporting lacks sufficient detail to allow the department to determine whether ISSP funds have been spent on eligible expenses.

Recommendation:

14. The Director General, Education Branch should, in conjunction with Regional Directors General, ensure that ISSP recipients provide adequate financial reporting in support of ISSP funds received and expenses incurred, and that these reports be sufficiently reviewed by regional office personnel to ensure that the expenditures are eligible.

8.0 Action Plan

An audit of INAC's PSE was undertaken between June and August 2008. The Audit Report, approved in January 2009, looked at all three components of the PSE Program:

- Post-Secondary Student Support Program (PSSSP);
- University and College Entrance Preparation (UCEP); and
- Indian Studies Support Program (ISSP).

The audit was unable to provide reasonable assurance that the Program's management control framework effectively achieves the Program objectives, or that regional monitoring and compliance auditing activities are sufficiently robust to ensure compliance with applicable legislation and policy and Program frameworks. The audit includes fourteen recommendations to address these findings in areas of program funding, management and accountability.

It should be recognized that some issues raised in the audit are neither the result of deficiencies in program management nor of a contravention of the program's terms and conditions. They are the result of broader policy and funding authorities used by the Department. For example, as noted in the audit, PSSSP and UCEP funding is provided to recipients through a Comprehensive Funding Arrangement as a Flexible Transfer Payment, or through a Canada/First Nations Funding Agreement as an Alternative Funding Arrangement. The use of these funding authorities is consistent with the Post-Secondary Education Program terms and conditions as well as the FTP terms and conditions. These authorities allow recipients to retain unexpended funds provided minimum program requirements have been met; however, this same flexibility makes tracking surplus funds more difficult.

Further, a number of efforts underway may impact the program and were considered in the development of the Action Plan. Firstly, Budget 2008 committed to review INAC's PSE Program. While the Department is in the early stages of the review, this process will undertake analysis relevant to some recommendations in the audit and could have implications for how the Department implements certain recommendations. Secondly, the Education and Social Development Partnerships Program (ESDPP) is undertaking a sector wide compliance review. The results of this review will identify the most effective measures to improve compliance across the Sector and will, therefore, shape work on measures to improve compliance under the PSE programs.

The attached Action Plan represents a reasoned plan to respond to the recommendations contained in the audit through actions that will strengthen program management while recognizing the broader considerations mentioned above.

Recommendations	Actions	Responsible Manager (Title)	Planned Implementation Date
1. The Director General, Education Branch should develop a process to determine actual Program spending by recipients and to incorporate this information into Program planning, results measurement, and an ongoing Program adjustment process to further the success of the Program.	Education Branch will work in collaboration with Transfer Payments and Financial Policy Directorate, and Regional Operations Sector to verify what would be required to determine actual program expenditures and surpluses.	Director General, Education Branch and Director General Resource Management	July 2009
2. The Director General, Education Branch, in conjunction with the Transfer Payments and Financial Policy Directorate, should re-assess the funding authorities in use and the reporting needs of the Program, taking into consideration the department's obligation to account for the use of Program funds and the intended purposes of these funding authorities.	Education Branch will work in collaboration with Transfer Payments and Financial Policy Directorate, and Regional Operations Sector to assess whether the funding authorities and reporting requirements currently in place are appropriate to ensure accountability for program funds.	Director General, Education Branch, and Director General, Corporate Accounting and Material Management	December 2009

Recommendations	Actions	Responsible Manager (Title)	Planned Implementation Date
3. The Director General, Education Branch should undertake a review of the sufficiency and appropriateness of recipient funding requirements, in light of increasing education costs and the available information on wait-listed students, to ensure that the department is able to meet the objectives of the Program.	The Branch will undertake work to assess the appropriateness of current funding relative to potential funding demand considering both the recent and projected cost increases and demographic projections. At the national level, there is no easily verifiable source of information on wait-listed students.	Director General, Education Branch, in collaboration with Regional Operations	December 2009

Recommendations	Actions	Responsible Manager (Title)	Planned Implementation Date
4. The Director General, Education Branch should establish a process to enhance the performance measurement framework currently in place in support of the Program to improve the relevance and integrity of the performance data currently being captured by the Branch, in conjunction with CIMD; identify and capture new data that would enhance the existing performance measurement framework; and ensure that the Branch's new Performance Measurement System produces data to permit adequate and appropriate analysis evaluation and reporting.	The Branch's new Performance Measurement System for Education (under development as part of the Education Reform Initiative) will provide the capacity to link financial and non-financial data through INAC's Enterprise Data Warehouse (previously not possible) allowing for improved analysis, evaluation and reporting. The PMSE will identify and refine performance measures for all education programs (including post-secondary program); both INAC regions and First Nations will be engaged in the identification of performance measures. Education Branch will ensure that issues in regard to the relevance and integrity of the data currently being captured within the NPSES database are identified and resolved as required.	Director General, Education Branch, in collaboration with CIO, and Regional Operations	September 2011 is the forecasted date for the PMSE to go live.

Recommendations	Actions	Responsible Manager (Title)	Planned Implementation Date
5. The Director General, Education Branch should undertake a comprehensive review of the allocation methodology employed for the distribution of Program funds, in conjunction with Regional Directors General, to ensure eligible students in different regions have equitable access to Program funds. This review may need to consider the ability of each region to meet Program requirements within its existing core budget.	Education Branch will work in collaboration with Regional Operations on a review of the allocation methodology employed for the distribution of Program funds to regional offices and varying methodologies employed in regions to fund recipients.	Director General, Education Branch in collaboration with Regional Operations and Chief Financial Officer	October 2010
6. The Director General, Education Branch should ensure that the minimum Program requirements and delivery standards (requirements) provide sufficient clarity to recipients to ensure they understand departmental expectations in operating a post-secondary education program, and to INAC personnel to ensure they are able to assess and determine, as part of Program monitoring, whether recipients are meeting Program requirements.	The Branch will review minimum Program requirements and delivery standards and provide further clarification where appropriate.	Director General, Education Branch, in collaboration with Regional Operations	October 2009

Recommendations	Actions	Responsible Manager (Title)	Planned Implementation Date
7. The Director General, Education Branch should establish a management control framework (a set of policies and procedures to ensure that results are achieved and Program objectives are met) specific to the Program that includes, but is not necessarily limited to: a process for regularly updating the foundations of the Program, such as the Program T&Cs, the *Program Policy*, the *PSE Guidelines,* and possibly an Operations Manual*,* to ensure that these documents remain relevant and sufficiently comprehensive; an annual planning process that establishes objectives and targets for the Program each year, with a view to the continuous improvement of Program results (through the measuring and assessing of Program performance) and the enhancement of Program efficiencies; providing guidance, direction to and oversight of regional offices through the provision of support tools, regular communications, operational guidelines, and well defined and communicated roles and responsibilities; a resource planning process that considers the level of personnel needed	ESDPP is undertaking a sector wide compliance review to identify required elements of a common management control framework.

According to the priorities identified in the review, as well as the results of the Branch's work, the Branch will determine the appropriate directions and measures specifically required to improve management control of the PSE program.

The Branch will use a risk-based approach to determine the order in which these measures are implemented. | ADM, ESDPP

Director General, Education Branch, in collaboration with Regional Operations | January – September 2009

Fall 2009

Beginning Fall 2009 |

Recommendations	Actions	Responsible Manager (Title)	Planned Implementation Date
to administer the Program, to meet Program objectives, and to ensure sufficient Program and agreement monitoring and oversight; and a risk management process that identifies Program risks on an annual basis, provides a strategy for mitigating such risks on an ongoing basis, and ensures regular monitoring and sufficient risk based compliance auditing of recipients.			
8. The Director General, Education Branch should, in conjunction with Regional Directors General, ensure that the audit review process be enhanced to ensure that non-eligible Program expenses are appropriately addressed and that Program surpluses are adequately investigated, and that, if necessary, the recipient be subject to further review or auditing activities.	The Branch will review eligible and non-eligible Program expenses and Program surpluses and provide guidance to regions in this regard.	Director General, Education Branch, in collaboration with Regional Operations and Chief Audit Executive	December 2009

Recommendations	Actions	Responsible Manager (Title)	Planned Implementation Date
9. The Director General, Education Branch, in conjunction with the Transfer Payments and Financial Policy Directorate, should re-assess the financial reporting requirements of the Program, taking into consideration the department's obligation to ensure due diligence in the monitoring of Program recipients and that funds are spent for the intended purposes.	Education Branch will work in collaboration with the Transfer Payments and Financial Policy Directorate, and Regional Operations Sector to re-assess the financial reporting requirements of the Program.	Director General, Education Branch and Director General, Corporate Accounting and Material Management	June – November 2009
10. The Director General, Education Branch should conduct a thorough review of eligible Program expenses and, to the extent that it is determined that the eligible expenses in the Program T&Cs are deficient, update the Program T&Cs, *Program Policy* and the *PSE Guidelines* to include those expenses deemed appropriate.	The Branch will review eligible and non-eligible Program expenses and provide guidance to regions in this regard.	Director General, Education Branch, in collaboration with Regional Operations and Chief Financial Officer	December 2009

Recommendations	Actions	Responsible Manager (Title)	Planned Implementation Date
11. The Director General, Education Branch should establish, in conjunction with Regional Directors General, a process for conducting appropriate recipient monitoring and compliance auditing (financial and non-financial, on a risk based approach) to ensure that recipients are adhering to Program (including ISSP) and funding agreement T&Cs. Consideration should also be given to resources and capabilities within the regional offices to conduct monitoring and complete compliance audits.	Education and Social Development Programs and Partnerships (ESDPP) is undertaking a sector wide compliance review to identify required elements of a common management control framework. According to the priorities identified in the review, as well as the results of the Branch's work, the Branch will determine the appropriate directions and measures specifically required to improve management control of the PSE program. The Branch will use a risk-based approach to determine the order in which these measures are implemented.	ADM, ESDPP Director General, Education Branch, in collaboration with Regional Operations	January – September 2009 December 2009
12. The Director General, Education Branch should, in conjunction with Regional Directors General, establish a process to be employed in the regions to ensure that the projects funded through the ISSP component of the Program adequately support all aspects and objectives of the Program.	The Branch and Regional Operations are currently compiling information on ISSP projects. Following the results of this work, the Branch will develop next steps to ensure that the ISSP component adequately supports all aspects and objectives of the PSE Program.	Director General, Education Branch, in collaboration with Regional Operations	January – September 2009 December 2009

Recommendations	Actions	Responsible Manager (Title)	Planned Implementation Date
13. The Director General, Education Branch should, in conjunction with Regional Directors General, ensure that regional offices adhere to the Program T&Cs, *PSE Guidelines*, and *Recipient Reporting Guide* in regard to obtaining, reviewing, and evaluating ISSP proposals, and obtaining of annual ISSP reports from recipients.	The Branch and Regional Operations are currently compiling information on ISSP projects. Based on the results of this work, the Branch will work with Regional Operations to determine appropriate measures related to the Program T&Cs, PSE Guidelines, and Recipient Reporting Guide.	Director General, Education Branch, in collaboration with Regional Operations	January – September 2009 December 2009
14. The Director General, Education Branch should, in conjunction with Regional Directors General, ensure that ISSP recipients provide adequate financial reporting in support of ISSP funds received and expenses incurred, and that these reports be sufficiently reviewed by regional office personnel to ensure that the expenditures are eligible.	The Branch and Regional Operations are currently compiling information on ISSP projects. Based on the results of this work, the Branch will work with regions to ensure ISSP recipients are informed about eligible expenses and that they provide adequate financial reporting on these expenses.	Director General, Education Branch, in collaboration with Regional Operations and Chief Financial Officer	Winter 2010

Annex A – Audit Criteria

Program Design and Approval

1. The funding mechanisms in use ensure an appropriate balance between accountability and the department's practice of using standard agreement templates for funding purposes.

2. Appropriate analysis is being conducted to determine the minimum amount of operational and recipient funding required to effectively manage the program and to achieve its objectives.

3. Key reporting requirements are established to set minimum baseline data/ reporting standards to ensure that adequate performance and financial information and outcomes are provided.

4. Clear and appropriate performance measures, result indicators and targets are developed to measure and report on the achievement of program objectives and results.

Program Implementation

5. Program policies, procedures and manuals have been established in support of program objectives and provide regional office staff with the information required to operate within approved terms and conditions.

6. Clear roles and responsibilities, consistent with departmental practice, are in place and communicated formally to all program staff.

7. A resourcing plan is developed and implemented to respect the level of resources (e.g. full-time equivalents, operations) made available while ensuring required competencies are available.

8. Program officers are adequately trained in program procedures, the nature of transfer payments, and program and funding authorities.

9. Supporting tools are developed and provided as required (e.g. risk assessment tools, reporting templates, file management checklists) to assist in the effective and efficient management and monitoring of the program.

10. Appropriate long-term and annual plans are developed that operationalize program objectives.

11. A risk management process is in place to identify, assess, and mitigate program risks, taking into consideration lessons learned.

12. Due consideration is given to the allocation of program funds to the regional office.

Program Monitoring and Reporting

13. Performance information is collected and analyzed and results are consolidated to demonstrate program performance and effectiveness.

14. Financial monitoring is conducted, financial information is collected and analyzed, and results are consolidated to demonstrate financial performance of the program.

15. Compliance activities are conducted by program management on a regular and structured basis to assess whether regions/program officers are complying with program policies and procedures.

16. An annual review of program activities is conducted to identify instances of non-compliance to program policies and procedures, with identified instances of non-compliance on the part of regions/program officers or recipients are appropriately addressed with timelines for resolution.

17. Policies and procedures, roles and responsibilities, and supporting tools are regularly updated to address lessons learned, with changes to program management practices communicated accordingly.

Eligibility

18. The amount of funding provided to recipients is based on either an assessment of proposed activities against established criteria or based on an established funding formula.

19. Management assessments are being conducted in accordance with the program terms and conditions, and where required, management development plans are completed to address management gaps.

Agreement Development

20. Funding agreements are developed using department approved templates, with any alterations made to funding agreement templates reviewed and approved to ensure alignment with TBS approved program and funding terms and conditions and Policy on Transfer Payment requirements.

21. Expected statements of requirements, with measurable outcomes and results, are explicit in the agreement and consistent with the TBS approved program terms and conditions.

22. Funding agreements are reviewed, approved and completed in a timely manner. Appropriate levels of approval are obtained.

23. Notices of Budget Adjustment and Amendments, specific to the Program, are used in accordance with INAC policy.

Agreement Monitoring and Reporting

24. Performance results and financial reports are received in accordance with the funding agreement and program terms and conditions, with financial reports received in accordance with the Year End Reporting Handbook.

25. Performance and financial results received are adequately reviewed to ensure:

    a. recipients are in compliance with their funding agreements;
    b. funds are used for the purposes intended; and

    c.   programs and services were delivered in accordance with the terms and conditions of the funding agreements.

26. Certification is provided by the appropriate delegated authority that the payee is entitled to the payment. In the case of reimbursements of expenditures incurred, activities have been conducted as required and expenditures are eligible as defined within the funding agreement.

27. Performance of the recipient is monitored through activities such as site visits, meetings, briefings, telephone conversations and analysis of submitted reports. Activities performed are commensurate with the risk level assessed.

28. Recipients of contributions are subject to a formal review or audit of compliance to terms and conditions of the agreement (e.g., recipient audit, quality reviews).

29. Timely feedback is given to recipients regarding monitoring, review or audit findings and actions required to address issues/concerns raised.

30. Follow-up is undertaken to ensure that recommendations for improvement are acted upon by the recipient.

31. Money owed to the government is recovered from eligible payments in accordance with TB's Policy on Receivables Management, with interest on overdue overpayments charged in accordance with the TB Interest and Administration Regulations.

32. Timely, accurate and meaningful performance and financial information from individual agreements is consolidated and reported back to program management, along with results from continuous monitoring, compliance review, and recipient audits.