



# **Crown-Indigenous Relations and Northern Affairs Canada / Indigenous Services Canada**

## **Internal Audit Report**

### **Audit of Economic Development Programs**

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**Audit and Assurance Services Branch**

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# TABLE OF CONTENTS

- ACRONYMS ..... ii
- EXECUTIVE SUMMARY ..... 1
- 1. BACKGROUND AND CONTEXT ..... 3
  - 1.1 Overview of CIRNAC’s Economic Development Programs*..... 3
  - 1.2 Collaborative Delivery Model* ..... 5
- 2. AUDIT OBJECTIVE AND SCOPE ..... 5
  - 2.1 Audit Objective*..... 5
  - 2.2 Audit Scope* ..... 6
- 3. AUDIT APPROACH AND METHODOLOGY ..... 6
- 4. STATEMENT OF CONFORMANCE ..... 7
- 5. KEY RESULTS AND RECOMMENDATIONS ..... 7
  - 5.1 Opportunities Going Forward for Economic Development Programming*..... 7
  - 5.2 Working with Indigenous Communities and Other Funding Organizations*..... 8
  - 5.3 Performance Information to Assess the Impact of Economic Development Programming* ..... 10
  - 5.4 Positioning Economic Development Programming to Support all Indigenous Communities*..... 12
  - 5.5 Participation in SPI Projects* ..... 14
- 6. CONCLUSION ..... 16
- 7. MANAGEMENT ACTION PLAN ..... 16
- Appendix A: Audit Criteria ..... 20

## ACRONYMS

ADM	Assistant Deputy Minister
AEP	Aboriginal Entrepreneurship Program
CIRNAC	Crown-Indigenous Relations and Northern Affairs Canada
CORP	Community Opportunity Readiness Program
DGIC	Director General Investment Committee
GA	General Assessment
GoC	Government of Canada
IEON	Indigenous Economic Opportunity Network
ISC	Indigenous Services Canada
LED	Lands and Economic Development
LEDSP	Lands and Economic Development Services Program
MCF	Management Control Framework
PIP	Performance Information Profile
RCM	Regional Case Manager
RO	Regional Operations
SPI	Strategic Partnerships Initiative

# EXECUTIVE SUMMARY

## Background

Economic development programs have an important role in supporting the government's commitment to closing socio-economic gaps and advancing the self-determination priorities of Indigenous communities. Effective economic development programming offers support to communities in taking control of their lands and resources, and seizing those economic development opportunities that align with their plans and goals. Moreover, these programs aim to support an increase in the participation of Indigenous Peoples in the Canadian economy and enable them to pursue the same opportunities for employment, income, and wealth creation as other Canadians.

Crown-Indigenous Relations and Northern Affairs Canada's (CIRNAC) economic development programs are the responsibility of the Lands and Economic Development (LED) Sector. The programs are delivered, in part, through the regional offices that are part of Indigenous Services Canada's (ISC) Regional Operations (RO) Sector.

The economic development programs are diverse. Funding can be provided to communities, organizations, or entrepreneurs. Funding can be provided annually based on formulas that consider community demographics or it can be proposal based and include funding over multiple years. Funding can be provided entirely by CIRNAC or it can be leveraged from many participating federal departments.

The four economic development programs assessed in this audit include:

- **Aboriginal Entrepreneurship Program**  
The Aboriginal Entrepreneurship Program (AEP) seeks to increase the number of viable Indigenous owned and controlled businesses, provide a supportive business environment for Indigenous Peoples, and inform employers about the hiring of Indigenous Peoples.
- **Community Opportunity Readiness Program**  
The Community Opportunity Readiness Program (CORP) provides project-based funding to First Nation and Inuit communities and organizations for a range of activities to support them in pursuing specific economic opportunities.
- **Lands and Economic Development Services Program**  
The Lands and Economic Development Services Program (LEDSP) supports economic development capacity-building activities within communities. It also undertakes activities that identify potential economic opportunities and helps establish the conditions for economic development to occur.
- **Strategic Partnerships Initiative**  
The Strategic Partnerships Initiative (SPI) is an internal federal mechanism intended to increase economic development opportunities for Indigenous Peoples by coordinating federal efforts around shared priorities and stimulating partnerships between federal and non-federal partners within key sectors of the Canadian economy.

## **Objective of the Audit**

The objective of the audit was to assess the extent to which the Department's Management Control Frameworks (MCFs) for Economic Development Programs were appropriately designed and effectively implemented to support achievement of program objectives. The MCF is made up of the processes and controls that support the management of the program.

## **Approach and Methodology**

The audit approach consisted of three phases: planning, conduct and reporting, and considered the economic development programs' governance and strategic direction; program design; capacity and capability; reliance on external parties; program delivery; performance measurement; and risk measurement. The methodology included interviews, review of documentation, site visits, analysis and testing of files based on a judgemental sample.

## **Opportunities Going Forward**

Currently, the LED Sector is working on a reform of its economic development programs. The Economic Development programs are ideally positioned to leverage the current opportunities created by CIRNAC's and ISC's new mandates and departmental transformation. There are opportunities to:

- Update the strategic vision for Economic Development Programs;
- Work with other sectors to address community-driven goals;
- Transform program culture;
- Help build skills and knowledge within Indigenous communities; and,
- Leverage existing good practices.

## **Conclusion**

The Economic Development Programs had structured processes for program delivery including clear program authorities, objectives, roles and responsibilities, recipient and project eligibilities, and reporting requirements.

There were also opportunities to improve the Economic Development Programs' design and delivery related to:

- formalizing its approach to regional collaboration opportunities with other government departments, in partnership with Indigenous Services Canada.
- demonstrating the alignment between community-level economic development goals and decision-making on funding.
- streamlining the data and effort required from Indigenous communities and regional staff by limiting performance data collection to the requirements of the program's Performance Information Profile.
- engaging with Indigenous communities to explore new models of shared or delegated responsibility for the collection, analysis, and reporting of performance information.
- providing targeted support to communities with lower economic development activities so that funding is better tailored to support economic development planning and potential opportunities.

Finally, there is a timely opportunity for the Economic Development Programs to leverage the opportunities created by CIRNAC and ISC's new mandates and departmental transformation.

# 1. BACKGROUND AND CONTEXT

The Government of Canada is committed to building a renewed nation-to-nation relationship with Indigenous Peoples based on the recognition of rights, respect, co-operation, and partnership. To meet this vision, the government has been focused on two interrelated tracks:

- closing the socioeconomic gap between Indigenous Peoples and non-Indigenous Canadians; and,
- making foundational changes to laws, policies and operational practices based on the recognition of Indigenous rights to advance self-determination and self-government.

In August 2017 it was announced that the Department of Indigenous and Northern Affairs Canada would be dissolved and replaced with two new departments: Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC) and Indigenous Services Canada (ISC). This change was made with a view to both improving how the GoC delivers services to Indigenous Peoples and advancing the self-determination and self-government rights of Indigenous Peoples. The Departments are currently undergoing a transformation that will identify new models for designing and delivering services to Indigenous Peoples.

Economic development programs coordinated by the Lands and Economic Development Sector (LED) and delivered primarily through regional offices, have an important role in supporting the government's commitment to closing the socio-economic gaps and advancing the self-determination priorities of Indigenous communities. Effective economic development programming offers support to communities in taking control of their lands and resources, and seizing those economic development opportunities that align with their plans and goals. Moreover, these programs aim to support an increase in the participation of Indigenous Peoples in the Canadian economy and enable them to pursue the same opportunities for employment, income, and wealth creation as other Canadians.

The placement of the Lands and Economic Development Sector at Headquarters in either CIRNAC or ISC remains to be decided. Currently the Lands and Economic Development Sector resides within the CIRNAC organization. The majority of economic development programs are delivered through the Regional Offices that are part of ISC's Regional Operations (RO) Sector. Good collaboration exists between the two organizations and they are collaborating on reforming economic development programs.

## ***1.1 Overview of CIRNAC's Economic Development Programs***

CIRNAC's Economic Development Programs aim to support Indigenous people's involvement in the Canadian economy. A brief description of the four programs included in the audit is provided below.

### **Aboriginal Entrepreneurship Program**

The Aboriginal Entrepreneurship Program (AEP) seeks to increase the number of viable Indigenous owned and controlled businesses, provide a supportive business environment for Indigenous Peoples, and inform employers about the hiring of Indigenous Peoples. AEP includes the following two components:

- The Access to Capital component provides funding to Indigenous entrepreneurs, communities, and organizations that may have difficulty in obtaining conventional financing.
- The Access to Business Opportunities component provides funding to Indigenous organizations to undertake projects that promote entrepreneurship, increase business opportunities, and help Indigenous businesses gain new skills and experiences.

### **Community Opportunity Readiness Program**

The Community Opportunity Readiness Program (CORP) provides project-based funding to First Nation and Inuit communities and organizations for a range of activities to support them in pursuing specific economic opportunities. Where communities have identified opportunities but lack the financial resources to pursue them, CORP provides an opportunity to submit proposals to obtain additional funding.

### **Lands and Economic Development Services Program**

The Lands and Economic Development Services Program (LEDSP) includes the following components.

- LEDSP-Core component provides annual funding to First Nations and Inuit communities to support economic development activities within their communities. The amount of funding provided to each community is based on historic community formulas that consider population and geographic location.
- LEDSP-Targeted component provides project-based funding to First Nations and Inuit communities, and organizations to undertake activities that identify potential economic opportunities and help establish the conditions for economic development to occur.

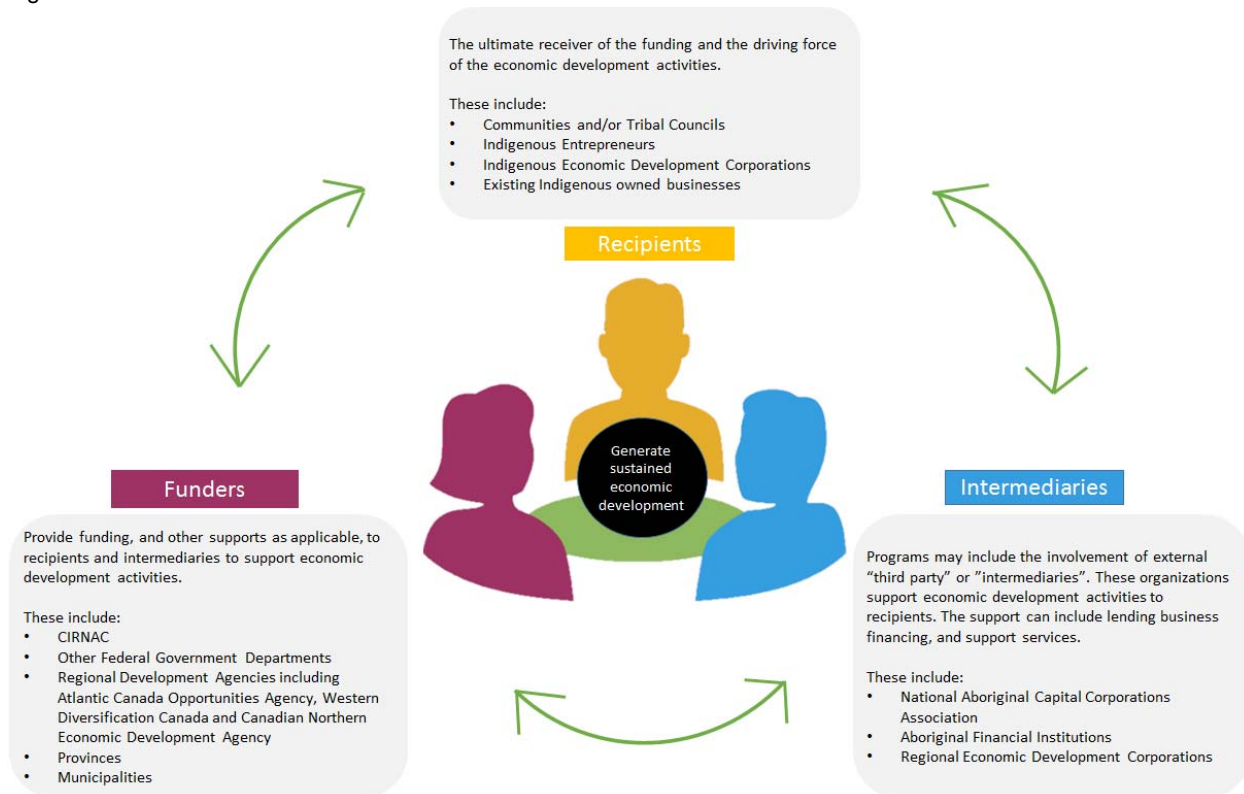
### **Strategic Partnerships Initiative**

The Strategic Partnerships Initiative (SPI) is a federal horizontal program which is administered by CIRNAC but whose authorities belong to all 17 partnering federal departments which includes CIRNAC. SPI is intended to provide an internal federal mechanism to federal and non-federal partners to coordinate their efforts around shared priorities to increase economic development opportunities and benefits for Indigenous Peoples. SPI stimulates partnerships between federal and non-federal partners within key sectors of the Canadian economy. The program funds complex multi-year initiatives that are expected to support multiple Indigenous communities and organizations from a regional to a national scope.

## 1.2 Collaborative Delivery Model

Economic development in Indigenous communities includes many diverse participants. There are multiple funding organizations that provide direct funding from different levels of government. There are also intermediary organizations that provide funding to recipients but can also provide non-financial support to recipients. Finally, there are the recipients which include a diverse mix of individuals, businesses, communities and organizations. Figure 1 illustrates the collaborative nature of the economic development programs.

Figure 1



## 2. AUDIT OBJECTIVE AND SCOPE

### 2.1 Audit Objective

The objective of the audit was to assess the extent to which the Department's Management Control Frameworks (MCFs) for Economic Development Programs were appropriately designed and effectively implemented to support achievement of program objectives. The MCF is made up of the processes and controls that support the management of the programs.



## **2.2 Audit Scope**

The scope of this audit included the following economic development programs and initiatives:

- Aboriginal Entrepreneurship Program (AEP);
- Community Opportunity Readiness Program (CORP);
- Lands and Economic Development Services Program (LEDSP) – the audit only focused on the economic development components of the program, including both Core and Targeted funding; and
- Strategic Partnerships Initiative (SPI). Only ISC led SPI projects files were tested.

The audit work was undertaken from August 2017 to April 2018. Audit testing covered the 2015-16 and 2016-17 fiscal years as well as the period from April 1, 2017 to October 31, 2017.

The audit did not include examination of third party organizations involved in the delivery of CIRNAC Economic Development Programs. Third party organizations include the National Aboriginal Capital Corporation Association, Aboriginal Financial Institutions, and Canadian Northern Economic Development Agency.

## **3. AUDIT APPROACH AND METHODOLOGY**

The audit approach considered the economic development programs' governance and strategic direction; program design; capacity and capability; reliance on external parties; program delivery; performance measurement; and risk measurement. Additional information on the areas of consideration is provided in Appendix A.

The audit methodology included:

- Interviews with key employees in Headquarters and regional offices;
- Review of documentation related to the management and administration of the economic development program portfolio, including tools and templates;
- Site visits to the Atlantic, British Columbia and Alberta Regional Offices which included testing of project files;
- Analysis of economic development program statistics;
- Analysis of staffing profiles associated with the administration and delivery of economic development programs in the regions; and,
- Testing of economic development program project files at Headquarters.

The project file testing included a judgmental sample of CORP, LEDSP-Targeted, AEP (Access to Business Opportunities) and SPI project files led by ISC. The testing assessed the extent that projects are managed in accordance with their respective program Terms and Conditions and/or MCFs. It also considered the extent to which capacity building activities are built into funded projects and undertaken as planned. In addition, a sample of LEDSP-Core reports was reviewed to assess the extent that funding is being used by recipients for capacity building purposes.

## 4. STATEMENT OF CONFORMANCE

The audit conforms with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and the Government of Canada's *Policy on Internal Audit*, as supported by the results of the Quality Assurance and Improvement Program.

## 5. KEY RESULTS AND RECOMMENDATIONS

### 5.1 *Opportunities Going Forward for Economic Development Programming*

CIRNAC's Economic Development Programs are ideally positioned to leverage the current opportunities created by its ongoing program reform and both CIRNAC's and ISC's new mandates. CIRNAC's mandate<sup>1</sup> includes a priority to "lead a whole-of-government approach to the renewal of a nation-to-nation, Inuit-Crown, and government-to-government relationship with Indigenous Peoples including improving our capacity as a government to consider and respond to the unique realities of Indigenous Peoples in Canada". ISC's mandate<sup>2</sup> includes a priority to "identify the best models for improved services to Indigenous Peoples" and another focused on "Work(ing) with the Minister of Employment, Workforce Development and Labour and the Minister of Innovation, Science and Economic Development to promote economic development and create jobs for Indigenous Peoples."

Several opportunities were identified as the economic development programs continue their program reform journey.

**Update the Strategic Vision for Economic Development Programs:** CIRNAC's and ISC's new mandates renew the Government of Canada's commitment to Indigenous Peoples. New approaches are required to deliver on the ambitious mandate. There are opportunities to borrow from the innovative approaches being used to support Indigenous self-determination such as those found in the New Fiscal Relationship<sup>3</sup>. These approaches will:

- Provide predictable, long-term funding through fair transfers;
- Build a new fiscal relationship based on mutual accountability;
- Respect different visions of and paths to self-determination;
- Include Indigenous-led programs and services that are supported by strong Indigenous institutions and governments; and,
- Incorporate flexibility in government responses to meet specific needs.

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1 <https://www.pm.gc.ca/eng/minister-crown-indigenous-relations-and-northern-affairs-mandate-letter>

2 <https://pm.gc.ca/en/mandate-letters/minister-indigenous-services-mandate-letter>

3 [https://www.canada.ca/en/indigenous-services-canada/news/2018/01/a\\_new\\_fiscal\\_relationship.html](https://www.canada.ca/en/indigenous-services-canada/news/2018/01/a_new_fiscal_relationship.html)

**Work with Other Sectors to Address Community-Driven Goals:** A more coordinated approach with other departmental programs could be adopted to allow CIRNAC to provide comprehensive economic development support for broad community-driven goals and priorities. Supporting economic development opportunities that are integral to infrastructure, housing, or land management would require additional flexibility. Flexibility, in terms of types of projects and funding vehicles, to ensure that programming can support all communities, regardless of capacity level and needs. However, the increased departmental coordination will support the broader economic development needs of a community.

**Transform Program Culture:** A transformation of the program's culture to increase community engagement could be undertaken. Greater emphasis on listening and learning about community-level priorities would facilitate a shift from a program-centric approach to a community-centric approach. The Economic Development Officers in the regional offices could be a key asset in developing a new program culture.

**Help Build Skills and Knowledge within Indigenous Communities:** CIRNAC's economic development support often relies on Indigenous communities having sufficient skills and experience to identify desired economic development projects, develop funding proposals, and implement the projects. If communities do not already have these required skills and experience, it can be challenging to develop them internally or to hire outside resources. Economic development programs could enhance a professional support component for communities with these challenges.

**Leverage Existing Good Practices:** Many examples of successful initiatives, projects, and processes in the economic development programs were identified in the regional offices. A review of these good practices could identify common elements that may be applicable to other regional offices.

## ***5.2 Working with Indigenous Communities and Other Funding Organizations***

### **Community-Level Economic Development Goals are not Consistently Integrated into Program Decision-Making**

Each Indigenous community has its own set of priorities. These priorities can be based on a variety of factors including location, size of population, and socio-economic conditions. Some communities may choose to identify specific economic development goals within their priorities. These goals may be broadly established, such as improving access to sustainable employment, or be more focused on specific initiatives such as conducting feasibility studies or establishing business parks. The audit team expected that regional staff were continuously engaging with Indigenous communities to understand about their economic development goals. Further, it was expected that this information was being used to inform the design of economic development programming and related funding decisions.

Examples were identified of regional staff collecting community-level economic development goals and objectives. This information was collected from existing community-level plans such as Economic Development Plans or Community Development Plans. Community-level economic development goals were also collected through conversations with community representatives.

**Identified Good Practice**

One regional office is advising communities of the advantages of developing an Economic Development Plan that aligns with broader community-level plans prior to pursuing any specific economic development project. This will help ensure that funded projects support community-level priorities and inform the regional office of a community's economic development goals.

Overall, information on economic development goals was not collected for all communities and the collection of information was not consistent between different regional offices. Some regional offices leveraged the information provided by communities in their LEDSP-Core reports, however, the information was not validated.

In addition, the information that was collected did not appear to inform decision-making related to economic development program design, support funding decisions, or provide a platform for further engagement with the communities. Before reaching any funding decisions, project assessments are undertaken in the Regions. It was found however that economic development projects were selected based on the proposals received from the communities and that funding decisions were made based on such things as the timing of when the proposals were received, and the extent to which funding requirements aligned with availability of funds. Further, the audit found that there were no other methods in place to consistently and accurately capture the economic development goals of Indigenous communities.

**Coordination with Other Funding Organizations is not Consistent**

In each region, there are multiple public sector organizations that provide funding to support economic development in the local communities. These organizations include other federal departments and federal regional development agencies. It was expected that regional staff would work closely with other funding organizations to provide a coordinated federal response to the needs and goals of Indigenous communities.

Inter-departmental working groups dedicated to Indigenous economic development have recently been established at a national level which includes representatives from several government departments. These groups include senior level government officials including Assistant Deputy Ministers and Directors General. Similar groups have not been established consistently at the regional level and tools and processes have not been developed to consistently promote regional level collaboration.

There were specific examples of regional offices interacting with other public sector funding organizations that were identified. This was usually done through meetings, phone calls or emails. In most cases, these interactions occurred because regional staff had established professional relationships with staff from other federal organizations. One regional office had established regular meetings with these other funding organizations.

Challenges with undertaking coordinated approaches were identified by the regional staff. For example, some organizations were reluctant to share information on the projects they planned to fund or the communities with which they were working. It was felt that some tension was created by a perception of “competition” among the funding organizations.

Overall, other than SPI, the audit noted very few instances where regional offices worked collaboratively in a formalized way with other federal departments.

### **Impacts on Indigenous Communities**

With limited methods in place to consistently capture the economic development goals of Indigenous communities, economic development programs may focus on projects that promote economic development but are not aligned with the community’s goals.

Challenges in coordinating with other funders at the regional level may limit the overall economic development support available to a community that is in a region supported by multiple funding organizations.

### **Recommendation**

1. In collaboration with Regional Operations Sector, ISC, the Assistant Deputy Minister of Lands and Economic Development Sector should formalize its approach to regional collaboration opportunities with other government departments.
2. The Assistant Deputy Minister of Lands and Economic Development Sector should demonstrate the alignment between community-level economic development goals and decision-making on funding.

## ***5.3 Performance Information to Assess the Impact of Economic Development Programming***

CIRNAC collects performance information to determine whether its programs are meeting its objectives and to demonstrate the impact its programs are having on Indigenous people and communities. Performance information can also provide insight into ways to improve a program and demonstrate results for Indigenous people. It was expected that:

- performance information was collected for the economic development programs;
- performance information is being used to make program improvements; and,
- performance information collected could be used to describe how economic development programs are helping close the socio-economic gap between Indigenous and non-Indigenous communities.

### **There are Longstanding Challenges to Collecting Performance Information for Economic Development Projects**

Interviewees from CIRNAC’s LED Sector and ISC’s regional offices recognized challenges with collecting performance information for economic development projects. The main challenge was that the impacts on a community from many economic development projects may not be seen

until several years after the completion of a project. For example, there may be a long delay between when a business plan is completed and when jobs and revenue may be created.

There were also challenges in the collection of existing performance information. Considerable effort from the Indigenous community and regional staff was required. There were concerns that both groups lacked the resources required to collect performance information, particularly when it needed to measure performance over several years. There was also a departmental expectation to reduce the reporting burden on communities.

### **Information Being Collected is Not Being Used to Provide Insight into Program Performance**

Project reporting requirements were established by the regional offices on a project-by-project basis, which has created inconsistencies. When project-level performance information was collected, it was not always well positioned to support an assessment of that project's impact on the community. For example, some regions have included a requirement for "quantitative performance information" for some projects such as the number of jobs created or the number of spin-off businesses created. Other regions had no similar requirement which limited how project performance could be compared across the program.

### **New Performance Information is Planned to be Collected for Economic Development Programs**

A Performance Information Profile (PIP) is used by federal government departments to communicate how it plans to assess the success of its programs. The PIP sets out program objectives, the performance information that will be collected, and the methods that will be used to collect that information.

In August 2017, CIRNAC revised its PIP for its suite of economic development programs. New performance information will be collected to help in assessing the broader impacts of Economic Development programs. The new measures will include:

- A comparison of the total income per capita of Indigenous communities to neighbouring non-Indigenous communities; and,
- Identifying the number of Indigenous communities where non-government revenues represent 25% or more of total revenues.

#### **Identified Good Practice**

One regional office undertook a 5-year study to identify the impacts that regional economic development funding had on the communities since completion. This involved a series of discussions with community representatives to learn about the effects that those projects had on the community.

### **Impacts on Indigenous Communities**

Overall, information collected by regional offices focused on how funds were spent and on specific project outputs such as business plans and engineering drawings. This type of short-term information provides limited insight into the medium- to long-term outcomes of the projects or the potential improvements that may be required in the economic development program. It may be difficult to assess the full impact of the economic development programs on improving the socio-economic conditions of communities.

### **Recommendation**

3. The Assistant Deputy Minister of Lands and Economic Development Sector should streamline the data and effort required from Indigenous communities and regional staff by limiting performance data collection to the requirements of the program's Performance Information Profile.
4. The Assistant Deputy Minister of Lands and Economic Development Sector should engage with Indigenous communities to explore new models of shared or delegated responsibility for the collection, analysis, and reporting of performance information.

## ***5.4 Positioning Economic Development Programming to Support all Indigenous Communities***

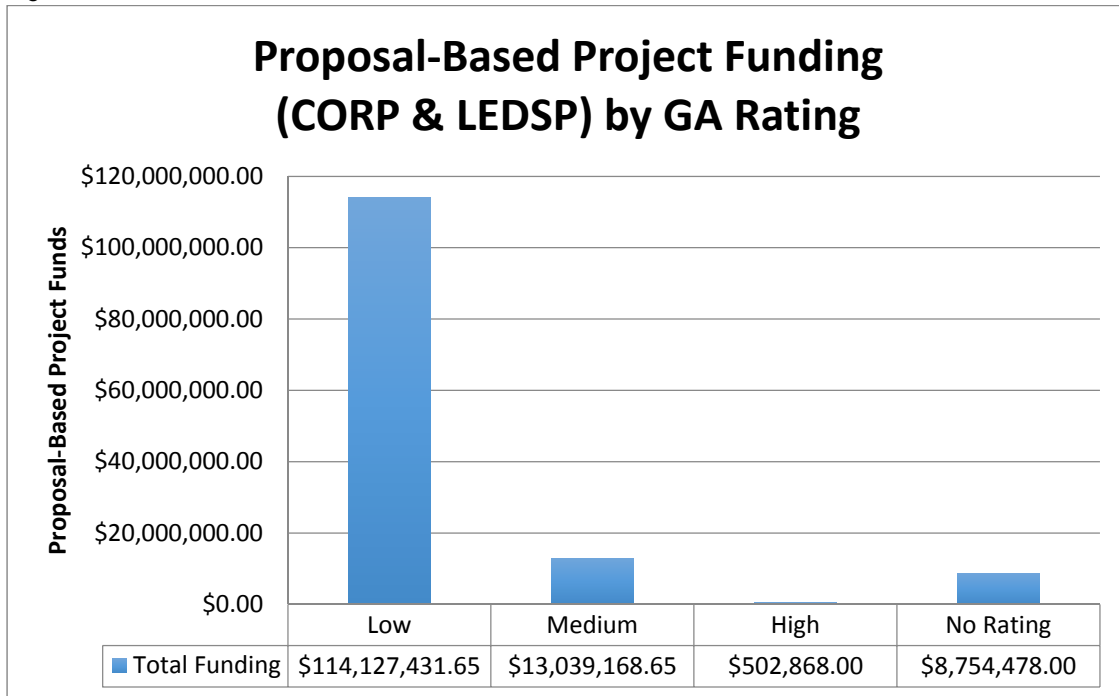
The Indigenous communities that participate in the economic development programs have a wide range of skills and experiences to manage economic development projects that varied from simple to complex. It was expected that the design and delivery of the economic development programs would accommodate this diversity.

### **Communities with Stronger Past Performance Have Had More Success Accessing Economic Development Funding**

CIRNAC completes a General Assessment (GA) for each funding recipient prior to entering into a funding agreement. The GA is a tool used to provide an annual snapshot of the funding recipient's past performance. It considers governance, planning, financial management, program management and other factors. The GA produces an overall rating of "low", "medium" or "high" risk for each funding recipient. "Low" is the ideal rating and represents strong past performance in managing funding agreements.

The majority of economic development funding was provided to communities with a low GA. These communities had experience successfully meeting the requirements of their funding agreements. Figure 2 illustrates the distribution of proposal-based economic development funding for each GA rating. Less economic development funding is provided to communities with higher GA ratings. This means that funding recipients with less experience and resources to manage the requirements of a funding agreement receive less funding. In order to ensure access, the departments have made adjustments to scoring system to distribute funding to communities which have not traditionally been funded.

Figure 2



### Lack of Support Tailored to Smaller Communities

Annual funding is provided through the LEDSP-Core program. The level of funding provided to each community is generally based on the population and geographic location of the community. Consequently, smaller communities receive less funding which is often not sufficient to pursue economic development opportunities. These are often the communities that are already challenged to obtain and retain the skills and experience necessary to pursue economic development opportunities.

### Experience of Regional Offices

Regional economic development staff are in a unique position as they have seen successful economic development projects across a range of communities and can offer insight on the factors that led to success. This knowledge and experience could be helpful to support communities who are interested in pursuing economic development opportunities. However, the current proposal-based approach to CORP and LEDSP-Targeted program requires that

#### Identified Good Practices

One regional office is planning to implement a continuous intake method. It hopes to be more flexible to community requests and respond to potential opportunities quicker while still respecting program requirements.

Another regional office is implementing a “one-window approach” to its economic development programs. It has invited communities to submit the economic development idea regardless of how they fit into specific programs. The regional office will identify the appropriate funding program.



regional staff devote considerable effort and time to administrative activities. This limits regional staff's time to work with communities that require support and who wish to pursue economic development opportunities.

### **Impacts on Indigenous Communities**

Small communities and communities with limited skills and experience in managing the requirements of funding agreements may be limited in the economic development funding that they receive. Without the support to develop experience with the management of funding agreements, these communities may continue to be challenged in accessing economic development funding.

### **Recommendation**

5. In collaboration with Regional Operations Sector, ISC, the Assistant Deputy Minister of Lands and Economic Development Sector should leverage the service delivery transformation agenda to support communities with lower economic development activities so that funding is better tailored to support economic development planning and potential opportunities.

## ***5.5 Participation in SPI Projects***

The objective of the Strategic Partnership Initiative (SPI) program is for the 17 participating Departments and Agencies to work together to increase economic development opportunities for Indigenous Canadians by establishing partnerships between federal and non-federal organizations in key industries. A Director General Investment Committee (DGIC) that includes representatives from 17 federal departments governs the SPI program. The DGIC is responsible for, approving initiatives, making funding decisions, and monitoring the progress of ongoing initiatives. CIRNAC's LED Sector provides administrative support for the SPI program.

Generally, potential initiatives are proposed to the DGIC by one of the 17 partnering federal departments. The DGIC reviews proposal materials provided by the department who will take the lead for managing the initiative. The DGIC discusses each initiative, including the potential funding partners, before making a decision on funding. If an initiative is approved, the DGIC allocates funding to the federal Department or Agency that is responsible for leading the initiative. The lead Department or Agency is then responsible for developing projects to meet the original goals and objectives of the initiative. These projects are usually developed in collaboration with partners and with the Indigenous communities/organizations that will be receiving the funds.

As such, the audit expected to see SPI used by CIRNAC to leverage federal funds available from partnering departments. The audit also expected to see clear ways for Indigenous communities and organizations to access the SPI program.

### **Leveraging CIRNAC Funding Through SPI**

At the program level, CIRNAC is successfully working with other federal departments and non-federal organizations to leverage its federal funding. The program consists of many multi-year economic development initiatives that are supported by several projects. CIRNAC participates in projects that are led by other federal departments and also leads its own projects. It was found that CIRNAC's funds were leveraged to support these economic development opportunities.

### **Inconsistent Understanding of the SPI Program**

The SPI program was launched in 2010. At the time, the program was focused on five "priority sectors" that included specific resource sectors (forestry, fisheries, mining, energy and agriculture). An original priority sector was mining which resulted in substantial funding for the Ring of Fire in the Ontario Region. Over time, the focus shifted from resource sector priorities to include opportunities in emerging industries. Shipbuilding emerged as a sector of interest, which resulted in an initiative in the Atlantic Region. As such, some regional offices had early experience working with the DGIC and the SPI program.

The audit found that the SPI program is not consistently understood across all regional offices. Some regions are unclear about who is eligible, what could be considered a SPI initiative, and how to access the program. Typically, these are the regions that did not have an early experience working with the DGIC and SPI program. The regions that were involved early on seemed to have used that experience to further secure funding throughout the years. As such, this inconsistent understanding of the SPI program across the regions may have led to some Indigenous communities and organizations having reduced access to the program.

Subsequent to an internal Quality Assurance Review performed on the SPI and CORP programs in 2015-16, LED Sector began some outreach activities, holding information sessions for the regional offices and other departments on the SPI Program. Additionally, a SPI workshop was held in the spring of 2018 (more information below). This was done to improve the understanding of the program and increase participation in the program.

### **Recent Efforts to Improve Community Access to the Program**

In the past, most ideas for an initiative came from the regional offices or from the other 17 departments. To get more participation and interest from Indigenous communities and organizations, LED Sector established the Indigenous Economic Opportunities Network (IEON) in mid-2017 which was named an LED Blueprint 2020 Best Practice. IEON involves a series of meetings where representatives from Indigenous communities can discuss economic development ideas with all SPI partner departments and agencies through a single-window approach. It provides an opportunity for these departments to collectively hear the economic development goals of these communities and establish an initiative to meet those goals.

## 6. CONCLUSION

In conclusion, the Economic Development Programs had structured processes for program delivery including clear program authorities, objectives, roles and responsibilities, recipient and project eligibilities, and reporting requirements.

There were also opportunities to improve the Economic Development Programs' design and delivery related to:

- formalizing its approach to regional collaboration opportunities with other government departments, in partnership with Indigenous Services Canada.
- demonstrating the alignment between community-level economic development goals and decision-making on funding.
- streamlining the data and effort required from Indigenous communities and regional staff by limiting performance data collection to the requirements of the program's Performance Information Profile.
- engaging with Indigenous communities to explore new models of shared or delegated responsibility for the collection, analysis, and reporting of performance information.
- providing targeted support to communities with lower economic development activities so that funding is better tailored to support economic development planning and potential opportunities.

Finally, there is a timely opportunity for the Economic Development Programs to leverage the opportunities created by CIRNAC and ISC's new mandate and departmental transformation.

## 7. Management Action Plan

*Economic Development programs delivered by Lands and Economic Development have undergone significant transformation in the past several years. Economic Development programs were transferred from other departments, and the HQ Sector reorganized to better deliver Economic Development and other programming. The program is also fairly decentralized, with the majority of the budget being expended in the Regions. With the current departmental transformation, the recommendations of this audit are timely, and allow responding in a way that will take advantage of transformation to improve the effectiveness, efficiency, agility, and adaptability of Economic Development programs delivered by CIRNAC/ISC in a way that supports community-defined priorities.*

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
<p>1. In collaboration with Regional Operations Sector, ISC, the Assistant Deputy Minister of Lands and Economic Development Sector should formalize its approach to regional collaboration opportunities with other government departments.</p>	<p>In collaboration with ISC regional offices, and OGDs, the Lands and Economic Development Sector will implement Regional Funders Tables in each region. These Tables will include other funders (e.g. ESDC, RDA's, DFO, NRCan etc.) and will focus on how to collectively better coordinate federal programs in the area of economic development to meet the needs of communities as expressed through plans or project proposals. The SPI horizontal authority will be an important tool and will be leveraged to make funding more efficient and less administratively burdensome for communities. It is expected that this approach will increase the ability of the Government of Canada to tailor program support to community needs, and reduce effort of scarce community resources to "chase" funding sources to support their priorities.</p>	<p>Assistant Deputy Minister, Lands and Economic Development Sector</p>	<p>Regional Funder Tables established by July 2019 Remaining work by October 2019</p>
<p>2. The Assistant Deputy Minister of Lands and Economic Development Sector should demonstrate the alignment between community-level economic development goals and decision-making on funding.</p>	<p>The Lands &amp; Economic Development Sector will:</p> <ul style="list-style-type: none"> <li>• establish an inventory of communities with economic development plans or community development plans and will explore the development of training for those communities without plans, subject to availability of funding;</li> <li>• propose a revised scoring criteria to decision makers, for proposals submitted to the Sector's economic development programs, providing more opportunities for lower capacity</li> </ul>	<p>Assistant Deputy Minister, Lands and Economic Development Sector</p>	<p>By April 2020</p>

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
	<p>communities to access funds, implementation subject to co-development with partners and communities; and</p> <ul style="list-style-type: none"> <li>integrate into existing reporting mechanisms, the economic development funding provided to lower capacity communities versus higher capacity communities.</li> </ul>		
<p>3. The Assistant Deputy Minister of Lands and Economic Development Sector should streamline the data and effort required from Indigenous communities and regional staff by limiting performance data collection to the requirements of the program's Performance Information Profile.</p>	<p>The Lands &amp; Economic Development Sector is currently revising its Data Collection Instruments and will review all DCIs to ensure that information requested aligns to the Performance Information Profile. Alternative data collection approaches e.g. Artificial Intelligence solutions, will also be explored as an alternative to direct data collection in order to lessen administrative burden on communities, while generating useful program data and information that can inform program transformation and decision making.</p>	<p>Assistant Deputy Minister, Lands and Economic Development Sector</p>	<p>By October 2019</p>
<p>4. The Assistant Deputy Minister of Lands and Economic Development Sector should engage with Indigenous communities to explore new models of shared or delegated responsibility for the collection, analysis, and reporting of performance information.</p>	<p>Building on the efforts under Action area 3, the Lands &amp; Economic Development Sector in collaboration with ISC regional offices will assess current models, and engage with communities to explore new models for the collection, analysis and reporting of performance information. This will include continuing to develop an approach to measure outcomes linked to programming funded under the Ten Year Grants. Harder to measure results such as jobs created, businesses</p>	<p>Assistant Deputy Minister, Lands and Economic Development Sector</p>	<p>By April 2020</p>

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
	<p>created, businesses sustained, and economic returns to the community will be key areas of focus for co-developed measurement approaches.</p>		
<p>5. In collaboration with Regional Operations Sector, ISC, the Assistant Deputy Minister of Lands and Economic Development Sector should leverage the service delivery transformation agenda to support communities with lower economic development activities so that funding is better tailored to support economic development planning and potential opportunities.</p>	<p>In collaboration with Regional Operations, ISC, the Lands and Economic Development Sector will conduct an exercise on key service processes (see Annex), including the assessment of the tiered approach currently used by several of the regions, in channelling community access to economic development programs that best suit their capacity. This tiered approach takes into consideration comprehensive community planning readiness for economic development and overall allocation of economic development funding to high impact projects and activities. Through this exercise, a plan that includes best practices in support of lower capacity communities, will be developed and launched nationally.</p> <p>The plan will include an assessment of funding sufficiency relative to mainstream economic development funding and relevant domestic and international benchmarks.</p>	<p>Assistant Deputy Minister, Lands and Economic Development Sector</p>	<p>By April 2020</p>

## Appendix A: Audit Criteria

To acquire an appropriate level of assurance to meet the audit objective, the following audit criteria were developed.

<b>Audit Criteria</b>	
<b>1. Governance and Strategic Direction</b>	
<b>1.1</b>	Strategic direction and objectives for CIRNAC suite of economic development programs are established, are aligned with current governmental priorities, and provides guidance on its role within the economic development landscape.
<b>1.2</b>	Strategic and operational objectives are communicated to CIRNAC and ISC staff (regional and HQ), third-party delivery agents, Indigenous communities, and other relevant stakeholders.
<b>1.3</b>	Departmental staff actively pursues, and participates in, collaborations with other Departmental programs and/or with other funding organizations to identify and provide enhanced economic development support to Indigenous communities.
<b>2. Program Design</b>	
<b>2.1</b>	Departmental staff regularly share timely, relevant, and reliable information related to its economic development programs/activities with Indigenous communities and other stakeholders.
<b>2.2</b>	An analysis is regularly conducted to determine whether the designs of the economic development programs permit addressing the varied needs of Indigenous communities, and adjustments are made to these designs as identified through this analysis.
<b>3. Capacity and Capability</b>	
<b>3.1</b>	An analysis is regularly conducted to determine the level of funding required to achieve programming objectives.
<b>3.2</b>	Resource plans are established that set out the resources and competencies required to effectively deliver programming and support Indigenous communities in meeting their economic development goals.
<b>4. Reliance on External Parties</b>	
<b>4.1</b>	Support is provided to ensure that Indigenous communities have the capacity to pursue economic development initiatives.
<b>4.2</b>	Processes have been established and are followed to manage agreements with third-party delivery agents, and to monitor their activities.
<b>5. Program Delivery</b>	
<b>5.1</b>	Policies and associated operating procedures have been established to support the consistent delivery of economic development programs.
<b>5.2</b>	Funding decisions are justified through supporting documentation.
<b>5.3</b>	The nature of funding provided is reflective of the risk level of the recipient and initiative.
<b>5.4</b>	Reporting requirements for each initiative are defined and are consistent with the expectations set out in the programs' Terms and Conditions.
<b>5.5</b>	Monitoring of recipient performance is conducted for each funded initiative.
<b>6. Performance Measurement</b>	
<b>6.1</b>	Appropriate performance measures and reporting requirements are established to assess the impact of CIRNAC economic development project and support program re-design.
<b>7. Risk Measurement</b>	
<b>7.1</b>	Risks, and associated mitigation measures, related to CIRNAC economic development programs are identified.