Crown-Indigenous Relations and Northern Affairs Canada

Relations Couronne-Autochtones et Affaires du Nord Canada

Audit of the Climate Change Adaptation Program

Internal Audit Report
Prepared by: Audit and Assurance Services Branch

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Canada

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Acronyms

CCACE   Climate Change Adaptation and Clean Energy Program

CCCED   Climate Change and Clean Energy Directorate

CCPN   Climate Change Preparedness in the North

CIRNAC   Crown–Indigenous Relations and Northern Affairs Canada

DCI   Data Collection Instrument

FNA   First Nations Adaptation

ICBCM   Indigenous Community-Based Climate Monitoring

POG(s)   Program Operations Guide(s)

Executive Summary

With a focus on creating livable communities and addressing record-breaking climate events, the Climate Change Adaptation and Clean Energy Program (CCACE) is an important initiative under the Government of Canada's efforts to enhance climate resilience and support sustainable development across the country. Recognizing the urgent need for proactive measures, the federal government made significant investments to help Canadians adapt to the impacts of climate change, including wildfires, floods, and extreme weather events.

In June 2023, Canada's first National Adaptation Strategy (NAS) was released, outlining a comprehensive approach to building climate resilience. Accompanying this, the Government of Canada Adaptation Action Plan (GOCAAP) details over 70 federal climate change adaptation actions, with investments totaling $6.6 billion since 2015. This includes recent allocations of $2.1 billion since fall 2022 to implement the NAS.

The objective of the audit was to provide assurance on the effectiveness of the CCACE, specifically focusing on:

1. the processes in place to deliver and allocate funding;
2. the monitoring of Program delivery;
3. the management of activities and initiatives with different stakeholders; and
4. the management of risks and opportunities associated with climate change.

The audit assessed three key Climate Change Adaptation and Clean Energy (CCACE) Programs: First Nation Adapt Program (FNA), Indigenous Community-Based Climate Monitoring Program (ICBCM), and Climate Change Preparedness in the North Program (CCPN). The audit also examined collaboration with Indigenous Services Canada (ISC) on climate adaptation efforts.

The CCACE program aims to support climate change adaptation across Canada. The audit focused on the adaptation programs within CCACE, which include First Nations Adapt (FNA), Climate Change Preparedness in the North (CCPN), and Indigenous Community-Based Climate Monitoring (ICBCM). The scope of the audit excluded two Programs unrelated to adaptation such as the Northern Responsible Energy Approach for Community Heat and Electricity Program (REACHE) and the Engaging Indigenous Peoples in Climate Policy Program (EIPCP). Identified risks included potential challenges in inter-departmental collaboration, funding allocation accuracy, effective incorporation of Indigenous communities in decision-making, and performance measurement effectiveness.

By focusing on these adaptation programs, the audit assessed the control framework supporting the achievement of climate change objectives, identifying whether the CCACE effectively contributes to building a climate-resilient future for all communities in Canada.

The audit identified several strengths within these adaptation programs. These included the establishment of robust governance structures, strong collaboration, and comprehensive documentation for committees. The Program developed detailed guidance documentation and clear processes to support funding recipients in submitting requests and receiving funding. In addition, the use of Data Collection Instruments (DCIs) facilitates flexible reporting, demonstrating a commitment to continuous improvement.

The audit also highlighted several opportunities for improvement. These included strengthening consistency in training provision and implementation, as well as project information tracking. Implementing additional review controls over internal data and reporting, standardizing tools and processes in project approval, and improving DCI template tracking for greater transparency and accountability were also identified as areas for development. Additionally, the development of a structured and documented process for integrating feedback from Indigenous communities into the Program is recommended.

Overall, the CCACE demonstrated strong governance, effective communication processes, resource allocation, stakeholder collaboration, and solid performance measurement practices. By addressing the identified areas for improvement, the CCACE could further enhance its effectiveness, transparency, and adaptability, contributing to more successful Program outcomes. These improvements will also support the Program's ability to meet its goals and align more closely with best practices in Program execution. The audit resulted in the following three recommendations:

1. **Strengthen Training Consistency and Execution**

The Assistant Deputy Minister of the Northern Affairs Organization should continue to offer and ensure completion of Program-level onboarding training, implement and deliver job-specific on-the-job training, track completion of both, and regularly update comprehensive training materials to keep them current.

2. **Standardize Tools and Processes and Implement Additional Review Controls over Internal Data and Reporting**

The Assistant Deputy Minister of the Northern Affairs Organization should:

   a. Standardize the use of tools and templates, where appropriate, across the Program to ensure consistent documentation and transparency in the funding review process; and
   b. Implement additional review and reconciliation controls over data and internal reporting to improve data accuracy and support informed decision-making.

3. **Improve Outreach and Stakeholder Communication**

The Assistant Deputy Minister of the Northern Affairs Organization should establish a systematic process to track feedback from Indigenous partners, document how it is integrated into Program planning and decision-making and regularly report on the resolutions and next steps to stakeholders.

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.

Management's Response

Management is in agreement with the findings, has accepted the recommendations included in the report, and has developed a management action plan to address them. The management action plan has been integrated into this report.

1. Context

Climate Change Adaptation and Clean Energy Program Overview

Climate change adaptation refers to actions that reduce the negative impact of climate change, while taking advantage of potential new opportunities. It involves adjusting policies and actions because of observed or expected changes in climate. Adaptation can be reactive, occurring in response to climate impacts, or anticipatory, occurring before impacts of climate change are observed. Crown–Indigenous Relations and Northern Affairs Canada (CIRNAC) has been addressing climate change adaptation under the federal government's Clean Air Agenda since 2008. CIRNAC received ongoing funding in 2016 to support continued climate change adaptation and clean energy work with the Program continuously evolving to date.

Along with ten other departments, CIRNAC sought to renew and expand new programming elements to further enhance adaptation and clean energy efforts, such as including Traditional Indigenous Knowledge and using a distinctions-based approach to Program implementation. In 2017, as part of the Pan-Canadian Framework (PCF) on Clean Growth and Climate Change, CIRNAC expanded existing adaption programming. The PCF is the collective plan to grow the economy while simultaneously reducing emissions and building resilience by adapting to the changing climate. There are four main pillars within the framework which include:

(1) Pricing Carbon Pollution;
(2) Complementary Measures;
(3) Adaptation and Climate Resilience; and
(4) Innovation and Job Creation.

To support these four pillars of the PCF, particularly the "Adaptation and Climate Resilience" pillar, three Climate Change Adaptation and Clean Energy (CCACE) initiatives were established under the purview of CIRNAC, between 2016 and 2017:

1. First Nations Adaptation (FNA): The Program provides funding to First Nation communities and organizations that are located below the 60th parallel to assess and respond to impacts of climate change and increase climate resilience, in support of self-determined priorities. Funding started in 2016-17 and expanded in 2017-18 with funding to support flood mapping for five years. Flood mapping funding was renewed in 2022-23 for three years.
2. Climate Change Preparedness in the North (CCPN): The Program funds climate change adaptation projects in Yukon, Northwest Territories, Nunavut, Nunavik and Nunatsiavut. Funding started in 2016-17 and was expanded in 2017-18 for 11 years to support implementation of adaptation measures.
3. Indigenous Community-Based Climate Monitoring (ICBCM): The Program provides funding to support Indigenous Peoples in the design, implementation, or expansion of long-term community-based climate monitoring projects. Funding Started in 2017-18 for 11 years.

These initiatives are aimed at increasing the resilience of Indigenous and Northern Communities by supporting the integration of climate information in decision-making. In addition to the three adaptation-specific Programs above, CIRNAC administers an additional two that fall under the

renewable energy and climate policy streams. One program is the Northern Responsible Energy Approach for Community Heat and Electricity Program. Funding relates to renewable energy and energy efficiency projects, as well as related capacity building and planning in the North. A second program is the Engaging Indigenous Peoples in Climate Policy Program which supports engagement on policy discussions related to Canada's climate plans.

Timeline of the Climate Change Adaptation and Clean Energy Program Timeline 2008 to 2025

The Climate Change Adaptation and Clean Energy Program has undergone significant changes since its inception. The following table provides an overview of key milestones and dates in the evolution of the Program.

Year	Summary of Key Events
2008	The former Department of Indigenous and Northern Affairs Canada began addressing climate change adaptation under the federal government's clean air agenda.
2015	Extensive Indigenous engagement to inform implementation of new programming took place between 2015 and 2017.
2016	CIRNAC received ongoing funding to support new climate change adaptation Program.
2017	New programming elements were supported and existing programs were expanded to further enhance adaptation and clean energy efforts.
2019	The Program undertook pre-evaluation work and was found to be well aligned with reconciliation principles.
2022	The Evaluation Branch conducted an evaluation of the Climate Change Adaptation and Clean Energy Program (CCACE) to assess its relevance, design and delivery, performance, and efficiency and economy for the period of April 1, 2016 to March 31, 2021, in compliance with the Treasury Board *Policy on Results*.
2022-2025	A significant number of the actionable items are underway with work recently being conducted to update some performance measurement indicators along with many of the CCACE sub-Program.

Governance and Oversight Structure

In 2022, Canada's National Adaptation Strategy (NAS) was announced to further support climate change initiatives and build a roadmap for whole-of-society action on adaptation. The NAS governance structure provides oversight on the overall implementation of the NAS and strategic direction on progress on adaptation.

The Climate Change and Clean Energy Directorate (CCCED) falls under the Northern Affairs Organizations (NAO) and is managed through the Natural Resources and Environment Branch. The CCCED supports the planning and implementation of adaptation and mitigation measures in Indigenous and Northern Communities and directly oversees the programs that fall under CIRNAC's purview (FNA, ICBCM, CCPN).
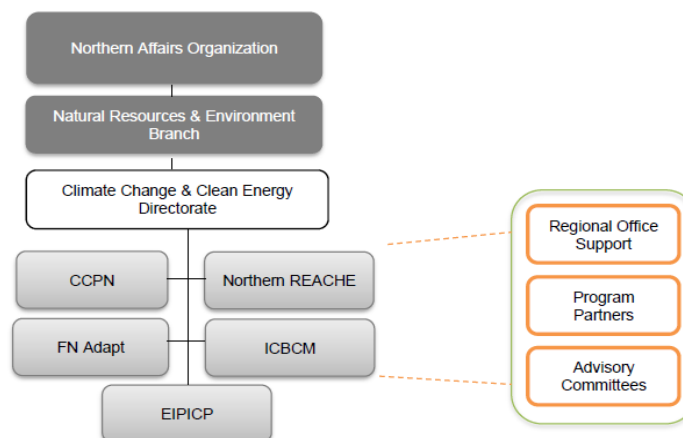
2. About the Audit

The Audit of the Climate Change Adaptation and Clean Energy Program was included in the Crown–Indigenous Relations and Northern Affairs Canada Risk-Based Audit Plan for 2023-2024 to 2024-2025.

2.1 Why it is important

The audit team identified several critical factors underscoring the importance of assessing the Climate Change Adaptation Program. These factors directly align with overarching objectives, accountability frameworks, and the fundamental commitment to supporting effective climate change adaptation and providing support to Indigenous and Northern Communities. The risks identified during the planning phase of the audit were:

1. **Governance Structures and Communication Processes**: There may be a risk that the Program's governance structures may not be structured to effectively support adaptability and responsiveness, and that decision-making and communication with stakeholders, including other government departments, may not be timely or effective.

2. **Resource Allocation and Stakeholder Collaboration**: There may be a risk that the Program's procedures for resource allocation may not be robust and transparent, and that the Program may not integrate community feedback and local insights into resource allocation and project decisions.

3. **Performance Measurement Outcomes:** There may be a risk that relevant performance measurement activities and outcomes are not used to monitor the Program objectives and appropriately adjust and support the Program in a timely manner.

2.2 Audit Objective

The objective of the audit was to provide assurance on the effectiveness of key aspects of the Climate Change Adaptation Program, specifically processes in place to:

(1) oversee and administer the Program;
(2) allocate funding;
(3) manage collaboration among key stakeholders;
(4) monitor Program outcomes and adjust the Program; and
(5) manage risks and realize opportunities associated with climate change.

2.3 Audit Scope

The audit scope included the three fiscal years 2021-22, 2022-23 and 2023-24. The engagement focused on the following climate change adaptation Program:

1. First Nation Adapt (FNA) Program;
2. Indigenous Community-Based Climate Monitoring (ICBCM) Program; and
3. Climate Change Preparedness in the North (CCPN) Program.

The sector that was engaged for this audit was the Northern Affairs Organization (NAO). The audit examined key areas of climate change adaptation, focusing on governance, resource allocation, and performance measurement. In instances where the Department collaborated with other departments and stakeholders within the climate change adaptation governance structure, the audit concentrated on assessing Crown–Indigenous Relations and Northern Affairs Canada (CIRNAC's) contributions. This included how decisions and information from those governance committees/groups were utilized at CIRNAC and the processes in place that ensured effective participation. The audit excluded two Programs that were not related to climate change adaptation, as they focused on renewable energy and climate policy rather than core adaptation initiatives: Northern Responsible Energy Approach for Community Heat and Electricity Program (REACHE) and Engaging Indigenous Peoples in Climate Policy Program (EIPCP).

2.4 Audit Approach and Methodology

The audit was conducted in accordance with the requirements of the Treasury Board *Policy on Internal Audit* and followed the International Standards for the Professional Practice of Internal Auditing. The audit examined sufficient, relevant evidence and obtained sufficient information to provide a reasonable level of assurance in support of the audit conclusion.

The probability of significant errors, fraud, non-compliance, and other exposures was assessed and documented during the planning phase.

Sampling Methodology

CIRNAC collaborates across departments and with partners to manage climate change adaptation initiatives. The Department prioritizes communities by working with Program Liaisons and Indigenous organizations, supporting project development and implementation. Projects were distributed across all 13 provinces and territories of Canada, through the three Climate Change Adaptation Programs (FNA, ICBCM, CCPN). Internal Audit chose projects from all three

in-scope Programs and focused on selecting projects from regions and territories with the largest portfolio of projects and/or dollar values of projects to arrive at a good representation of projects.

The sampling strategy was developed through interviews with the Northern Affairs Organizations. The Treasury Board *Policy on Internal Audit* was used as guidance to provide sufficient coverage of the total number of regions and projects that fell under the climate adaptation Program.

The audit fieldwork was performed from June 2023 to March 2024 and consisted of three phases: planning, conduct and reporting.

The main audit techniques used included:

- o Interviews with key stakeholders involved in the governance structure and communications, resource allocation and stakeholder collaborations, and performance measurement processes and outcomes of the Climate Change Adaptation and Clean Energy Program (CCACE). Interviews with Program Managers and Officers to discuss their roles and responsibilities related to the Program, as well as any processes related to the review and approval of funding requests, and disbursement of funding, and tracking of reporting.

- o On site visits to two funding recipients, as well as a virtual meeting with another funding recipient, were conducted to get a better understanding of their interactions with the CCACE, as well as to identify the strengths and challenges they may experience with the Program and/or their projects.

- o Met with Indigenous Services Canada (ISC) representatives that collaborate with CCACE to identify additional funding opportunities for recipients, particularly related to infrastructure.

- o Documentation review including review of existing processes, procedures, tools, and templates related to governance, resource allocation, and performance measurement processes of the CCACE, to identify if sufficient documentation and mechanisms are in place and to assess whether processes were effectively carried out at the Program.

- o Documentation review including review of agendas and meeting minutes from key committee meetings, to identify communications between the three in-scope Programs, as well as communications with Indigenous partners and communities.

- o Sampling and testing of funding requests from all three in-scope Climate Change Adaptation and Clean Energy Program (FNA, ICBCM, CCPN). 25 samples were selected across the three Programs, in accordance with the Treasury Board Sampling Methodology. A comprehensive sampling technique was used to request and test documentation related to funded projects, starting with proposals/agreements, all the way to the submission of required reporting by recipients, sampled between the fiscal years between 2021 and 2024.

The approach used to address the audit objectives included the development of audit criteria, against which observations and conclusions were drawn. The audit criteria can be found in Annex A.

3. Key Findings and Recommendations

Based on a combination of evidence gathered through interviews, examination of documentation, and analysis, each audit criterion was assessed and a conclusion was drawn for each. The observations presented below demonstrate that Climate Change Adaptation and Clean Energy Program (CCACE) governance structure and communication processes, resource allocation and stakeholder collaboration, and performance measurement processes are generally, robustly structured and executed. A few opportunities for improvement were identified to further improve the CCACE.

3.1 Governance Structures and Communication Processes

Background

This audit assessed the effectiveness of governance structures and communication processes for First Nations Adaptation (FNA), Indigenous Community-Based Climate Monitoring (ICBCM), and Climate Change Preparedness in the North (CCPN). It evaluated how these structures supported decision-making, risk management, and collaboration among key stakeholders, including Climate Change and Clean Energy Directorate (CCCED), regional contacts, and end recipients. The audit also reviewed the defined roles and responsibilities of each Program and associated entities, as well as the mechanisms in place for timely decision-making and accountability.

Additionally, the audit examined the adequacy of processes related to funding allocation, utilization, and compliance with relevant financial and reporting regulations, such as the *Financial Administration Act* and Treasury Board requirements. By reviewing governance documents, communication channels, and stakeholder engagement strategies, the audit aimed to confirm that these Programs operated with transparency, efficiency, and adaptability. The audit identified strengths and areas for improvement so that the CCACE Program can effectively contribute to climate change adaptation goals while maintaining strong governance and oversight mechanisms.

Key Expectations:

1. There should be clearly defined and documented roles and responsibilities across the Climate Change and Clean Energy Program, in the three in-scope Programs (FNA, CCPN, ICBCM), regional contacts, and end recipients, as well as for working groups and committees.
2. Robust governance structures should ensure Program adaptability and responsiveness, along with mechanisms for timely decision-making and clear accountability within the Program.
3. Communication channels should be efficient, facilitating timely decision-making and collaboration with key stakeholders, with established lines of communication for collaborative decision-making and timely resolution of challenges.

4. Comprehensive risk management processes should proactively identify, assess, rank, and mitigate risks, with follow-up actions to ensure mitigation measures are implemented and effective.

Risk #1

There may be a risk that the Program's governance structures may not be structured to effectively support adaptability and responsiveness, and that decision-making and communication with stakeholders, including other government departments, may not be timely or effective.

Findings

Established Governance Structures and Strong Collaboration and Documentation Related to Committees

The audit identified that there are robust governance structures established and implemented in the three Programs. The Program had clearly established governance structures with defined roles and responsibilities, documented in Terms of Reference. Through the review of meeting documentation such as records of decision, meeting agendas, and meeting minutes, it was evidenced that meetings were held regularly and consistently. In particular, advisory committees across the programs demonstrated consistent documentation and comprehensive meeting minutes regarding the vision of the Program, existing and renewed funding, financial status updates, key project updates, as well as key actions items for the Advisory Circle members and the respective Program team. The content discussed in these meetings was considered essential for supporting the Program's objectives. Additionally, collaboration among CCPN, FNA and ICBCM was outlined in interviews and exhibited through meeting documentation.

Detailed Documented Program Guidance Documentation

The audit noted that the Programs have developed detailed Program Operational Guides (POGs), as well as a Process Guide to Contribution Agreement to provide guidance and support to the Program staff. Each of the three Programs demonstrated a POG that included Program background, Program descriptions (i.e., overview, objectives, logic model, Program activities, funding authorities, Program participants, linkages with other Program, project funding eligibility criteria, project proposal process), and Program roles and responsibilities (i.e., headquarters Program staff, regional staff, Program partners/collaborators, and Program funding recipients). The POGs were sufficiently thorough to support the activities of the Program. The Process Guide to Contribution Agreement contained detailed information on the steps required to complete contribution agreements by the program. The Process Guide to Contribution Agreement, as well as two out of the three Program's POGs were updated and revised within the audit period (FY2021 to FY2024). However, the third POG had not been updated since 2019, and Program Management confirmed that there have not been any significant updates to the processes since 2019. Based on this confirmation, the audit team deemed the existing documentation to be sufficient.

Opportunity to Further Strengthen Training Consistency and Execution

The audit identified limited documentation around training within the CCACE. Through document review and discussions with Program Managers, it was observed that apart from these POGs,

the Process Guide to Contribution Agreement, and orientation materials, no other evidence of comprehensive training materials was provided by the Program. Program-specific and role-specific training materials were not available across all Programs. The primary method to deliver training is informal, as such there is no formal process in place to deliver training, to track training attendance or follow up training that was not completed.

Interviews with Program Managers communicated that most of the training occurs on the job. However, this is not documented to evidence its completion. Additionally, Program Managers outlined that the Program have been under significant time and resource constraints due to the pandemic and emergencies over the past three fiscal years (2021-2024). As such, there is limited documentation for these areas.

Not having formally documented training poses several risks to the Program's effectiveness and continuity. Two key examples of these are that (1) the inability to document and track training limits the Program's strategic adaptability, making it difficult to respond effectively to emerging challenges and opportunities without a clear plan for knowledge transfer and staff development. Additionally, (2) the absence of documented training materials can result in operational delays and inefficiencies during turnover, as new or temporary staff may struggle to understand their roles and responsibilities without adequate training and guidance.

Recommendation

To further enhance the effectiveness of the governance structure and communication process for climate change adaptation initiatives, the Program should:

1. **Strengthen Training Consistency and Execution**

   The Assistant Deputy Minister of the Northern Affairs Organization should continue to offer and ensure completion of Program-level onboarding training, implement and deliver job-specific on-the-job training, track completion of both, and regularly update comprehensive training materials to keep them current.

3.2 Resource Allocation and Stakeholder Collaboration

Background

The audit examined the processes for allocating resources for FNA, CCPN, and ICBCM. This was done to identify if they were conducted with a high degree of transparency and alignment with community needs. The focus was on evaluating how funding was distributed from the CCACE to end recipients, including the roles and responsibilities of key stakeholders such as the CCCED, advisory committees, and the Program manager. This assessment aimed to understand how effectively the Program managed and prioritized resources to meet their objectives.

In addition, the audit investigated how the Program incorporated community feedback into their decision-making processes. This involved evaluating the mechanisms used to collect, analyze, and apply feedback from Indigenous and Northern Communities to inform funding decisions and Program adjustments. The goal was to determine whether the allocation process adequately supported high-impact and high-need projects and adapted in response to stakeholder input and emerging challenges.

Key expectations:

1. Resource allocation for the Climate Change and Clean Energy Program should be transparent and equitable, with clearly defined roles for stakeholders, including Program staff, regional contacts, and end recipients.
2. Funding should align with Program goals, prioritizing high-impact and high-need projects through a consistent and well-documented process.
3. Stakeholders should perceive the resource distribution process as fair and transparent, with any changes in allocation methods reflecting improvements based on feedback and evolving needs.
4. Feedback mechanisms should be effective and formal, with community input used to adjust policies and enhance resource allocation.
5. Fund allocation reporting should be publicly available and include clear rationale for project selection, ensuring transparency and fairness across the Program.

Risk #2

There may be a risk that the Program's procedures for resource allocation may not be adequate, transparent, and fair, and that the Program may not integrate community feedback and local insights into resource allocation and project decisions.

Findings

Established Process to Support Funding Recipients and Submitting a Request and Receiving Funding

The audit found that there is an established process to receive and assess project funding requests, including guidance on eligibility criteria in the POGs. Through interviews, it was noted that Programs follow an established process to review and approve funding requests. In interviews, it was also noted that the Programs provide funding recipients support in drafting and completing proposals, facilitating a smoother and expedited funding request process. In order to make the funding more accessible, the Programs accept project funding proposals year-round, allowing for continuous submission and review. During three interactions with recipients, including site visits and interviews, it was observed that they received adequate guidance and support from the Programs to complete their project proposals and accompanying documentation.

Opportunity to Standardize Tools and Processes in Project Approvals

The audit revealed that some Programs completed robust documentation in the funding approval process for projects sampled, while others did not or did not do so consistently. Maintaining additional records and/or standardizing the documentation processes for the three Programs in-scope, where appropriate, (i.e., checklists, scoring documents, approval feedback notes, etc.) could enhance accountability and transparency around the approval process, as well as improve tracking and reporting processes. For the projects sampled, evidence of project review and approval documentation was not consistently completed among the three Programs in-scope. The absence of detailed records, such as resource allocation guidelines, calculations, meeting minutes, and records of decisions, made it challenging to transparently outline the process for prioritizing projects and allocating funds.

Interviews with funding recipients and Program Managers indicated that discussions regarding project selection and funding may occur during meetings. However, these meetings are not consistently documented, and some are held through informal channels. Not having formal documentation hampers the ability to track and justify decisions made during these discussions, affecting the transparency and accountability of the funding allocation process. Some projects contained checklists directly aligned with the eligibility criteria, and/or meeting notes indicating discussions about project pros and cons, suggesting a review process. However, this was not consistently done to provide sufficient information discussing the funding decisions made.

While the different Programs strive to address the needs of various communities through their funding decisions, the documentation gaps present several risks. Two key examples of these are that (1) not having clear documentation of the rationale behind project prioritization and funding allocations makes it difficult to assess whether the most critical projects, in terms of need and impact, are being selected and funded, potentially affecting stakeholder trust and confidence in the process. Additionally, (2) the absence of a formal, documented process increases the risk of bias and inequity in funding allocations, as funding may not be distributed fairly and consistently without clear criteria and justification for decisions.

Opportunity to Enhance Tracking of Project Information and Implement Additional Review Controls over Internal Data and Reporting

The audit identified errors in the internal Project List/Quarterly Reporting of all three in-scope Programs (FNA, CCPN, and ICBCM). These informal internal communication reports reviewed for them included a Program summary, as well as summary of projects funded by region (i.e., total number of projects, and Program funding, per fiscal year), and a listing for each region, including the project recipient, project name, project description, and yearly funding. Mathematical errors were observed related to the accuracy and completeness of projects and project funding, leading to inaccuracies in total project numbers, individual project funding amounts, and total project funding.

Interviews with Program Managers highlighted that the inaccuracies stem from manual addition errors. While manual reviews of the tracking documents were outlined in interviews, there was no evidence to support that these reviews were actively in place and completed by a reviewer other than the preparer of the quarterly report. In interviews, it was confirmed that these reports are internal summaries that are used for communications within the Program only and that they are not relied on to compile external reporting or financial statements. While the information in these reports is not public facing, it is still suggested to ensure better oversight over these figures to maintain accurate records over the projects. Management also noted that projects are consistently tracked within Project Tracking Sheets for FNA, CCPN and ICBCM. However, formal review and reconciliation procedures over these tools were not formally documented and as such, could not be assessed.

Errors in tracking and reporting could lead to several issues. Two key examples of these are that (1) discrepancies in project tracking can result in the misallocation of resources, where funds may not be distributed effectively according to project needs, impacting the successful execution of projects and hindering Program objectives. Additionally, (2) inaccurate data can undermine the accuracy of program assessments and reporting, potentially leading to misaligned resource

allocation, delayed identification of issues, and challenges in maintaining transparency with stakeholders. While the quarterly reports are not directly used for decision-making, maintaining accurate data remains essential for effective program oversight and accountability.

Recommendation

2. Standardize Tools and Processes and Implement Additional Review Controls over Internal Data and Reporting

The Assistant Deputy Minister of the Northern Affairs Organization should:

    a. Standardize the use of tools and templates, where appropriate, across the Program to ensure consistent documentation and transparency in the funding review process; and

    b. Implement additional review and reconciliation controls over data and internal reporting to improve data accuracy and support informed decision-making.

3.3 Performance Measurement Outcomes

Background

The audit examined the performance measurement processes and outcomes for FNA, CCPN, and ICBCM. The aim of this section was to evaluate whether these Program had effective performance measurement frameworks that supported their goals and facilitated ongoing improvements. This involved reviewing how Data Collection Instruments (DCIs) and Key Performance Indicators (KPIs) were developed, implemented, and utilized to assess Program performance. The audit also assessed the frequency and quality of performance reporting, including whether the collected data was adequately used to guide Program decisions and adjustments. Another focus was on the integration of feedback from stakeholders, including Indigenous communities, to enhance performance measurement processes. By analyzing these aspects, the audit aimed to identify strengths and areas for improvement in how these Program measured and managed their effectiveness, ultimately ensuring that performance measurement aligned with Program objectives and supported continuous development.

Key Expectations:

1. The performance measurement framework should be formally documented, including processes for selecting and reviewing DCIs and KPIs, with regular updates reflecting current Program objectives and needs.
2. Data collected through DCIs and KPIs should be effectively utilized to evaluate and improve Program performance, with outcomes guiding decision-making and Program adjustments.
3. Reporting requirements for key stakeholders must be established, with comprehensive and timely Program-level and project-level reporting that includes critical data and analysis.
4. The performance measurement process should include mechanisms for monitoring outcomes, addressing challenges, and integrating feedback from stakeholders to foster continuous improvement.

5. Performance measurement and reporting should be consistently applied across all in-scope Program and regions, with evidence of tracking trends and addressing any identified issues.

Risk #3

There may be a risk that relevant performance measurement activities and outcomes are not used to monitor the Program objectives and appropriately adjust and support the Program in a timely manner.

Findings

Flexible Reporting Through the Use of Data Collection Instruments (DCIs)

The audit revealed that the Program have implemented a flexible reporting system, enabling funding recipients to report on their projects upon completion in any format they prefer, such as a community engagement report or video. Additionally, recipients are required to complete DCI templates annually, which are designed to minimize effort. Reducing the annual reporting requirements for recipients reduces their administrative burden, allowing recipients to better allocate resources, and effectively manage project milestones. The Programs have consistently utilized DCI templates, which recipients generally completed and returned. Follow-ups were conducted for any missing or late submissions. Upon project completion, the flexible final reporting allowed project officers to gain a thorough understanding of the outcomes through creative presentations that were better tailored to the communities served by the projects.

Commitment to Continuous Improvement

The audit revealed that the Program is committed to continuous improvement. CCCED has established oversight and an ongoing performance evaluation process, which includes participation in departmental evaluations, OAG audits, reflections with governance committees, involvement in bilateral climate change discussions, and the development of the Indigenous Climate Leadership (ICL) Agenda. This was identified by the Program and further supported through the review of committee participation and resulting committee/meeting documentation. The Program outlined that this macro-level process has significantly influenced the direction and delivery of the Program. These processes have also supported the CCACE in the formulating of its policies, in building of capacity and collaboration and partnerships through facilitating communication between different stakeholders, including governments, non-governmental organizations, and the private sector.

Opportunity to Improve DCI Template Tracking for Greater Program Transparency and Accountability

Missing or incomplete DCI template submissions could pose several risks. Two key examples of these are that (1) without sufficient and timely updates, issues may become significant before being addressed, and opportunities may be missed. Program may not be able to adapt to changing circumstances and emerging trends, leading to less agile responses to new challenges and opportunities. Additionally, (2) not conducting periodic updates could lead to an erosion of trust and confidence among stakeholders, as they may not see progress. Without leveraging

success stories, there is a risk of not being able to provide evidence of impact to Program stakeholders, including partners and Indigenous communities.

Opportunity to Develop a Structured and Documented Process for Integrating Indigenous Community Feedback into Program

The audit noted that there does not exist a documented feedback process for incorporating Indigenous community input into the three in-scope CCACE programs for the period 2021-2024. Although some lessons learned documentation was observed, there is not a regular and systematic approach to capturing and addressing feedback across all three of the in-scope Programs. While some evidence from meetings and reports outlined feedback from Indigenous communities and other stakeholders, there were no clear and consistent mechanisms in place to request, collect, analyze, and act on feedback. Document reviews showed that the CCACE does not utilize surveys and questionnaires, interview or focus groups, or feedback forms to directly gather and synthesize feedback from funding recipients. In interviews with Program Managers, it was noted that feedback is received verbally and informally through meetings with recipients. While documented feedback from Indigenous communities was available outside of the audit period, in the form of surveys, reports, and within the Evaluation of the Climate Change Adaptation and Clean Energy Program 2016-17 to 2020-21, no formal documentation of feedback from Indigenous communities was available for the audit period 2021-2024. The absence of formal feedback requests and limited documented communications, such as meeting minutes and records of decision, made it challenging to assess how stakeholder input was solicited, collected, processed, and acted on.

While informal and verbal feedback may be gathered, not having structured documentation and systematic feedback processes impedes the Program's ability to maintain a clear record of stakeholder input and its incorporation into Program adjustments. This gap in formal feedback and lessons learned processes introduces several risks and challenges for the Program. Two key examples of these are that (1) not having formal documentation of feedback processes compromises transparency and accountability within the Program, making it difficult to demonstrate how community feedback is considered and integrated, which could lead to an erosion of trust among stakeholders. Additionally, (2) this limits the Program's capacity to adapt and respond to Indigenous community needs, as not having documented evidence hinders the ability to make informed adjustments based on stakeholder input. Not making these adjustments could potentially affect the Program's ability to build and maintain collaborative relationships with communities.

Recommendation

3. **Improve Outreach and Stakeholder Communication**

   The Assistant Deputy Minister of the Northern Affairs Organization should establish a systematic process to track feedback from Indigenous partners, document how it is integrated into Program planning and decision-making and regularly report on the resolutions and next steps to stakeholders.

4. Conclusion

The audit revealed several strengths within the Climate Change Adaptation and Clean Energy Program in scope (Climate Change Preparedness in the North (CCPN), First Nations Adaptation (FNA), Indigenous Community-Based Climate Monitoring (ICBCM)). Climate Change Adaptation and Clean Energy Program have established robust governance structures and strong collaboration, with comprehensive documentation related to committees. They have developed detailed Program guidance documentation and clear processes to support funding recipients in submitting requests and receiving funding. Additionally, they maintain flexible reporting through the consistent use of Data Collection Instruments (DCIs) and demonstrate a commitment to continuous improvement.

The audit also identified opportunities for improvement within the Climate Change Adaptation Program, including enhancing awareness of Program and funding opportunities, strengthening training consistency and execution, improving tracking of project information and implementing additional review controls over internal data and reporting. Additionally, standardizing tools and processes in project approval, improving DCI template tracking for greater transparency and accountability, and developing a structured and documented process for integrating Indigenous community feedback into Program are key areas for development.

Overall, the Program demonstrated strong governance structure and communication processes, resource allocation and stakeholder collaboration, and performance measurement practices. By addressing the noted opportunities for improvements, the Climate Change Adaptation and Clean Energy Program (CCACE) could enhance its effectiveness, transparency, and adaptability, ultimately contributing to more successful Program outcomes. These improvements will support the Program's ability to meet its goals with further alignment to best practices in the execution of the Program.

5. Management Action Plan

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
1. Strengthen Training Consistency and Execution The Assistant Deputy Minister of the Northern Affairs Organization should continue to offer and ensure completion of Program-level onboarding training, implement and deliver job-specific on-the-job training, track completion of both, and regularly update comprehensive training materials to keep them current.	CCCED adaptation programs will continue to offer and ensure completion of program-level onboarding training, implement and deliver job-specific on-the-job training, track completion as appropriate, and regularly update comprehensive training materials to keep them current.	Senior Director Climate Change and Clean Energy Directorate (CCCED)	Completed by March 31, 2025
2. Standardize Tools and Processes and Implement Additional Review Controls over Internal Data and Reporting The Assistant Deputy Minister of the Northern Affairs Organization should: a) Standardize the use of tools and templates, where appropriate, across the Programs to ensure consistent documentation and transparency in the funding review process; and **b)** Implement additional review and reconciliation controls over data and internal reporting to improve data accuracy and support informed decision-making.	CCCED notes that pending funding availability, CCCED will establish and use a directorate-wide database which will, among other things: a) Standardize the use of tools and templates, where appropriate, across the programs to ensure consistent documentation and transparency in the funding review process; and b) Implement additional review and reconciliation controls over data and internal reporting to improve data accuracy and support informed decision-making. Should funding be unavailable, CCCED will make incremental changes to streamline program tools, as appropriate, and continue to improve information management over time.	Senior Director Climate Change and Clean Energy Directorate (CCCED)	Completed by March 31, 2025

| 3. **Improve Outreach and Stakeholder Communication**

 The Assistant Deputy Minister of the Northern Affairs Organization should establish a systematic process to track feedback from Indigenous partners, document how it is integrated into Program planning and decision-making and regularly report on the resolutions and next steps to stakeholders. | Climate Change and Clean Energy Directorate (CCCED) adaptation programs regularly reach out to partners to seek input through governance committees and engagement sessions. Going forward, officials will document and track progress on action items and share this information with stakeholders. Formalizing this action-focused approach will facilitate both record keeping and demonstrate how input is concretely integrated into program planning and decision making. | Senior Director Climate Change and Clean Energy Directorate (CCCED) | Completed by March 31, 2025 |

Annex A: Audit Criteria

To ensure an appropriate level of assurance to meet the audit objectives, the following audit criteria were developed to address the objectives.

Audit Criteria	Audit Sub-Criteria
1. Effective governance structures and clear accountabilities are in place and mechanism for timely decision making and communication with key stakeholders have been established.	1.1 There are adequate internal governance structures in ensuring Program adaptability and responsiveness and effective collaboration with other stakeholders (e.g., other government departments). 1.2 There are mechanisms in place to ensure timely decision-making and clear accountabilities with the Program. 1.3 There is an effective communication process in place to support collaborative decision-making and timely communication with all relevant stakeholders.
2. Program resources are allocated effectively, efficiently and in collaboration with key stakeholders.	2.1 Adequate procedures and process are in place for prioritizing and allocating resources to high-impact and high-need projects. 2.2 There is transparency and fairness in the distribution of resources among Indigenous and northern communities. 2.3 There is an effective feedback and adjustment mechanism for resource allocation including the integration of community feedback and consideration of Traditional Indigenous Knowledge and local insights, into resource allocation and project decisions.
3. Outcomes from relevant performance measurement activities are adaptable and are used to effectively monitor Program objectives, as well as meet the needs of Indigenous communities.	3.1 Climate Change Adaptation and Clean Energy Program performance is measured through the use of relevant Data Collection Instruments (DCIs) and relevant key performance indicators (KPIs). 3.2 Program progress and outcomes are monitored through the analysis of performance measurement activities, and are used to identify and address Program challenges, facilitate continuous improvement, and guide decision-making to meet Program objectives. 3.3 Mechanisms are in place to gather and incorporate feedback from Indigenous communities and other key stakeholders to adapt performance measures and improve their relevance to the initiatives and recipients the Climate Change Adaptation and Clean Energy Program serves.