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At a glance – Audit of the Administration of Grants and Contributions at Environment and Climate Change Canada

Since 2016, Environment and Climate Change Canada (ECCC)'s mandate has expanded considerably with an increased focus on program delivery to support the Government of Canada's efforts in addressing climate change and protecting the environment. This has been accompanied by an unprecedented growth in the grants and contributions (G&C) funding provided to the Department to support priorities. The administration of this funding is a key departmental priority. Given the growth in funding, this area has been identified as a risk in multiple corporate documents.

The administration of G&Cs is a shared responsibility between program branches and multiple teams within the Corporate Services and Finance Branch (CSFB) which carry out various support functions that enable G&C delivery. This work is supported by two committees, the Assistant Deputy Minister Resources and Corporate Operations Committee and the Director General level Grants and Contributions Management Committee (GCMC).

In the summer of 2020, officials launched a review of G&C administration to better understand how the department responded to the significant increase in funds and where improvements were still needed. The review was completed in November 2021, and led to recommendations to be implemented in three phases. The GCMC is the governance body that is monitoring implementation progress.

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About the audit

The audit objective was to assess the operational effectiveness of the governance, risk management, and internal controls in place to administer departmental G&C programs, and to assess the progress made in implementing the recommendations from the 2020 G&C review. The audit scope included elements of the administration of the Department's G&C portfolio, including award-based funding programs administered by regional and National Capital Region staff. The audit was conducted between December 2022 and October 2023.

What the audit found

The increase in G&C funding since 2016 and moving from a small to a large-scale program delivery department has strained existing resources, infrastructure, and operational processes.

The structural and strategic foundations needed to support the program delivery model — such as governance, processes, systems, compliance framework, training, and capacity-building — have been developed and evolved organically and did not adapt in a manner that effectively supports the scale and complexity of the current number of programs being delivered and the variety of recipients that use the funding.

The current landscape reveals a defragmented and uncoordinated approach to program delivery across branches and programs, diverse processes, tools and ways of managing G&Cs that vary among branches, decentralized information management tools and systems to administer and manage G&Cs that are not integrated, and processes that are not standardized or that have not been updated in a risk-based manner to fully enable a recipient focused G&C delivery and aligned with our Department commitments towards reconciliation with Indigenous peoples.

The audit identified opportunities for improvement with respect to governance, G&C recipient-focused delivery, coordination and training, financial management, controls and reporting, and the information systems and information management mechanisms to manage G&C. The interconnectivity of each element impacts the way the entire program delivery ecosystem is shaped, and improvements in one area affect all others.

The audit also noted that there are large structural elements in the Department's approach to G&C administration that must evolve for program officials to fully embrace a recipient-focused delivery model. These relate to program authorities, terms and conditions, the program architecture, and the departmental results framework, among others. These elements need to be revisited to ensure alignment with the Department's mandate and priorities in the context of program delivery and G&C administration.

The 2020 G&C review led to efforts and several good practices that were implemented to improve the G&C processes. We found that work to implement the seventeen (17) recommendations remains relevant, and these measures need to be reassessed, along with the other findings highlighted in the audit, in the context of a broader departmental approach.

A unified vision, concerted efforts, and a strategic departmental approach to G&C administration and program delivery that includes the implementation of an enterprise G&C management solution that links to the financial system are necessary to drive improvements and enable the Department to make necessary progress in this regard.

Recommendations and management response

Five (5) recommendations were developed to address the opportunities for improvement identified during the audit. Given the shared responsibilities and accountabilities for G&C administration at ECCC and the level of effort required for implementation, the recommendations are addressed to the Department, or to the Assistant Deputy Minister and Chief Financial Officer CSFB, as appropriate:

Recommendation 1

The Department should define, communicate, and implement a common enterprise vision and strategy to managing G&C and review its current G&C delivery model to improve the overall effectiveness of its G&C programs.

Management response

Management agrees that there is a need to define, communicate and implement a common corporate vision and strategy for G&C management, and that there is a need to review the current G&C delivery model to improve the overall effectiveness of G&C programs. The Assistant Deputy Minister and Chief Financial Officer, CSFB in collaboration with program Assistant Deputy Ministers and Regional Directors General, will undertake a review of ECCC G&C program objectives for the purpose of defining an enterprise-wide vision and strategy for G&C programming informed by an understanding of how ECCC engages through G&C and informed by its mandate and Government of Canada priorities, such as reconciliation.

Recommendation 2

The Assistant Deputy Minister and Chief Financial Officer, CSFB in collaboration with program branches, should review, update as required, and communicate the departmental governance and oversight functions, accountabilities, roles, and responsibilities that enable an effective enterprise approach to G&C program delivery.

Management response

Management agrees that the departmental governance and oversight functions, accountabilities, roles, and responsibilities should be reviewed, updated, and communicated. The Assistant Deputy Minister and Chief Financial Officer, CSFB in collaboration with program Assistant Deputy Ministers and Regional Directors General, upon completion of Recommendation #1, will develop a departmental G&C management framework to formalize the departmental governance, processes, and tools for the sound management of G&C.

Recommendation 3

The Department should review and address its Information Management and Information Technology (IM/IT) requirements in line with a common vision to support an enterprise approach to the effective delivery of G&C focused on recipients. This includes:

- In the short term, develop and implement an enterprise G&C management solution that includes the capacity to manage the full program lifecycle, and includes integration with the financial system, as well as with customer relationship management functionalities. Consideration should be given to a resourcing strategy that supports the management of the enterprise solution throughout its life cycle.
- Develop and implement a plan to mitigate information management risks associated with the Shared Drive and G&C Database, including developing guidance on document retention, and a strategy to monitor implementation.

Management response

Management agrees that a review of the departmental IM/IT requirements should be performed, and enhancements implemented, consistent with the departmental G&C vision and strategy. The Assistant Deputy Minister and Chief Financial Officer, CSFB in collaboration with the Assistant Deputy Minister Digital Services Branch and Chief Service and Digital Officer, with program Assistant Deputy Ministers, and Regional Directors General, will develop a G&C IT modernization roadmap and related deliverables.

Recommendation 4

In the context of a broader strategic approach based on a common vision and strategy, the Department should review and standardize processes, tools, guidance, and training required to support the delivery of G&Cs across their entire lifecycle, by adopting enterprise principles to support efficiency and consistency, and enable a more recipient focused delivery. This includes:

- Strengthening processes surrounding the development and administration of G&Cs, using a risk-based approach, with emphasis on the core values of accountability, transparency, sound financial management and stewardship of public funds (including value for money), and incorporating the department's commitment to reconciliation with our Indigenous partners.
- Strengthening the current departmental training approach to support the various stakeholders in the delivery of the G&Cs. Determine whether a strategic departmental approach should be taken that includes mandatory training elements.

Management response

Management agrees that a review and standardization of processes, tools, guidance, and training is required to enable an effective and coherent risk-based enterprise approach for the delivery of a recipient focused G&C approach, based on enterprise principles and core values. The Assistant Deputy Minister and Chief Financial Officer, CSFB in collaboration with program Assistant Deputy Ministers and Regional Directors General, will develop standardized processes, tools, and guidance to support an enterprise approach to managing G&C.

Recommendation 5

The Assistant Deputy Minister and Chief Financial Officer, CSFB in collaboration with program branches, should review and update the internal controls that support the mitigation of program delivery risks and reflect the scope and scale of the current G&C environment by:

- Strengthening financial practices and processes around cashflow processes, the claim review process, and the use of advances and PAYEs.
- Strengthening departmental conflict-of-interest controls that support G&C program delivery, to mitigate the risk of fraud.
- Reviewing and updating the recipient audit framework to outline roles and responsibilities related to dispute mechanisms and recovery processes.

Management response

Management agrees that the strengthening of internal controls as well as financial practices and processes relating to G&C is required to support an effective risk-based approach in the delivery of G&C programs. The Assistant Deputy Minister and Chief Financial Officer, CSFB in collaboration with program Assistant Deputy Ministers and Regional Directors General, will perform a review of G&C financial business practices and related internal controls to assess their adequacy and rigor in ensuring the sound financial management and stewardship of public funds.

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