



Contribution Program in Support of the Search and Rescue New Initiatives Fund (SAR NIF)

Risk-Based Audit Framework

National Search and Rescue Secretariat

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1. INTRODUCTION

To strengthen the overall management and accountability of the Contribution Program in support of the Search and Rescue New Initiatives Fund (SAR NIF), this Risk-Based Audit Framework (RBAF) has been developed, consistent with the Treasury Board of Canada Secretariat Policy on Transfer Payments requirements introduced in 2000.

The central feature of this RBAF is a risk assessment which identifies the key risks to the achievement of program objectives, and sets out incremental measures, where appropriate, to mitigate risks to more acceptable levels. The incremental measures can include a variety of tactics such as changes in management practices, the conduct of audits and evaluations, or the adjustment of systems and procedures.

The SAR NIF RBAF provides:

- Profile information on the program including key areas of inherent risk (Key Risk Areas)
- A description of the Accountability and Risk Management Model for governing and operating the program
- An explicit understanding of key risks which may influence the achievement of the SAR NIF objectives as well as proposed incremental measures for mitigating risks to more acceptable levels
- Monitoring and internal auditing plans based on the understanding of risk, and
- Reporting strategies.

1.1 Background

In 1982, off the coast of Newfoundland, the Ocean Ranger oil rig capsized, killing eighty four people. The *Royal Commission on the Ocean Ranger Marine Disaster* was formed to look into the incident. The Commission made 136 recommendations including the creation of the National Search and Rescue Program and the National Search and Rescue Secretariat (NSS) in order to improve Canada's search and rescue (SAR) system.

In 1986, the Federal Cabinet, acting on two of the recommendations of the Commission, recognized the National Search and Rescue Program as a distinct horizontal program of the government and confirmed the Minister of National Defence as the Lead Minister for Search and Rescue with overall policy responsibility for SAR and authority, responsibility and accountability for the coordination of the National SAR Program.

The National Search and Rescue Secretariat (NSS) supports the Lead Minister for Search and Rescue/Minister of National Defence (LMSAR/MND) in this regard.

The two main objectives of the National SAR Program are:

- **SAR Response.** To ensure an effective and capable SAR response in all areas of Canada; and

- **SAR Prevention.** To educate individuals and organizations on the assessment of risks and the importance of acquiring and using the knowledge, skills and equipment needed to minimize injury and/or loss of life.

In 1986, the government also established the Search and Rescue New Initiatives Fund (SAR NIF) as an independent source of funds to develop and advance National SAR Program initiatives and policies.

The Contribution Program in support of the SAR NIF, as part of the SAR NIF, provides funding for new initiatives in the SAR area to provincial and territorial governments, profit and not-for-profit Canadian organisations from the volunteer, academic or private sector and individuals with responsibilities in the National SAR Program.

2. ROLES, RESPONSIBILITIES AND RELATIONSHIPS

The Contribution Program in support of the SAR NIF is administered on behalf of the LMSAR/MND by the NSS/DND through the Interdepartmental Committee on Search and Rescue (ICSAR), aided by other managing departments and agencies with national SAR responsibilities. The overall authority and accountability for the SAR NIF rest with the LMSAR/MND and the NSS/DND. Resources are sought and results reported on by the NSS/DND and LMSAR/MND.

Individual projects from eligible recipients¹ are proposed and carried out under the auspices of the managing departments and agencies represented on the ICSAR, as per authority delegated to them by LMSAR/MND. Projects are also delivered by provincial and territorial governments as recipients under the terms of contribution agreements with the NSS/DND.

Projects are identified and selected annually in accordance with established criteria. Proposals are evaluated and recommended by a Merit Board composed of representatives of SAR NIF managing departments and agencies and provincial and territorial governments. Projects are then reviewed and recommended for funding by ICSAR, and finally approved by LMSAR/MND.

2.1 National Search and Rescue Secretariat/Department of National Defence

The NSS/DND is responsible and accountable for the Contribution Program in support of the SAR NIF.

¹ Recipients are provincial and territorial governments, profit and not-for-profit Canadian organisations from the volunteer, academic or private sector and individuals with responsibilities in the National SAR Program, whose proposals have been approved for funding and with whom an agreement has been established.

Overall, the NSS/DND provides strategic coordination and leadership to program delivery partners such as the managing federal departments and agencies, and recipients.

The NSS/DND also receives, evaluates and prioritizes proposals received from provinces and territories or from other eligible recipients. The proposals are submitted to the SAR NIF Merit Board for review.

The NSS/DND receives quarterly financial and progress reports from the provinces, territories and other recipients. NSS/DND has signed contribution agreements with and certifies invoices for payment (Section 34, Financial Administration Act).

The NSS/DND also has the responsibility for implementation and review of this Risk-Based Audit Framework (RBAF) and for the Results-Based Management Accountability Framework (RMAF).

NSS/DND audits compliance with the contribution agreements and carries out evaluations as required.

In 2008-2009, being the second last year of the Contribution Program in support of the SAR NIF, the NSS/DND is responsible to conduct a summative evaluation to determine whether to seek approval for continuation of the program.

2.2 Managing Federal Departments and Agencies.

Managing departments and agencies share SAR responsibilities in Canada and are represented on ICSAR. Each department or agency may receive proposals from eligible recipients.

Managing departments and agencies review and challenge the proposals to ensure they are aligned with the National SAR Program and departmental priorities. The proposals are prioritized by the managing departments and agencies and submitted to the NSS/DND for review by the SAR NIF Merit Board. Through Memoranda of Understanding (MOU) with DND, the managing departments and agencies are authorized to administer and manage the Contribution Program in support of the SAR NIF on behalf of the LMSAR/MND.

The managing departments and agencies, on behalf of LMSAR/MND, will enter into contribution agreements with the recipients. Advance payment to a recipient will be made in accordance to the Treasury Board *Policy on Transfer Payments* and the Terms and Conditions of the SAR NIF. A statement of immediate cash requirements based on a monthly cash flow forecast from the recipient will be required to corroborate advance payments. To reduce the risk of overpayment the managing department or agency will withhold up to 10 percent of the contribution until after the final account and report by the recipient has been received.

Recipients will submit quarterly financial and progress reports and invoices to the managing department or agency that supports the project; invoices are certified for payment by the managing department or agency (Section 34, Financial Administration Act) and cheques are issued (Section 33, Financial Administration Act) to recipients through the managing department or agency Finance/Public Works and Government Services Canada PWGSC (PWGSC) (Receiver General). Quarterly reports will be submitted to NSS for information.

Cost increases will be considered by the managing department or agency only on an exceptional basis, and based on proposed amendments to the contribution agreement. Cash flow changes will be considered by the managing department or agency based on quarterly reports from the recipient.

The NSS and managing departments' and agencies' program management will conduct recipient audits to ensure compliance with the contribution agreements. Internal audit and program evaluation from DND and managing federal departments and agencies will conduct program management audits and evaluations.

2.3 Provinces and Territories

Provinces or territories wishing to access funding under the Contribution Program in support of the SAR NIF survey organizations within their jurisdictions to determine priorities and needs. Based on the National SAR Program priorities and their own provincial/territorial SAR priorities, each province or territory prepares one proposal to cover the cost of the project(s) selected for implementation in their respective jurisdiction and submits the proposal to the NSS/DND for consideration by the SAR NIF Merit Board.

Once projects are approved by LMSAR/MND, the NSS (on behalf of LMSAR/MND) enters into contribution agreements with provincial and territorial governments (one overall contribution agreement per province or territory).

As recipient of the SAR NIF, provinces and territories submit quarterly financial and progress reports and invoices requesting reimbursement of incurred expenses (based on the overall contribution agreement) to the NSS; invoices are certified for payment by the NSS (Section 34, Financial Administration Act (FAA)) and cheques are issued (Section 33, FAA) to the recipient through DND Finance/ PWGSC (Receiver General).

Cost increases will be considered on an exceptional basis, and based on proposed amendments to the contribution agreement. Any excess funds will be returned to NSS/DND. Cash flow changes will be considered based on quarterly reports. Provinces and Territories are responsible for the administration of individual projects within the contribution agreement and have latitude to adjust funding of individual projects.

NSS/DND will audit compliance with contribution agreements. Provinces and territories will share with the NSS/DND any findings and reports of their audits of projects referenced in

the contribution agreement and results of any verification of the management of the overall contribution agreement. The NSS/DND will carry out evaluations as required.

3. PROGRAM PROFILE

3.1 Context

In 2003, the LMSAR/MND approved the National SAR Program management framework, which serves as the foundation for the SAR NIF.

SAR Vision Statement

A Canada where the critical importance of Search and Rescue is reflected in a multi-jurisdictional approach to promoting individual, collective and organizational behaviour that minimizes the risk of injury or loss of life while maintaining timely and effective response services.

This vision is supported by six strategies that provide guidance in the development of SAR policies and activities within the National SAR Program. These strategies also guide the development and funding of SAR NIF projects.

National SAR Program Strategies

Partnerships: Develop and strengthen partnerships to facilitate and enhance SAR prevention and response activities.

Multi-Jurisdictional Exercises: Participate in a program of multi-jurisdictional exercises with focus on areas of historical problems or future concern, and/or to confirm plans and procedures for SAR response activities.

Volunteers: Involve and maximize as appropriate the use of volunteers.

Technology and Innovation: Encourage the identification and development of best practices, innovation and/or new technologies to support SAR prevention and response activities.

Interoperability: Identify types and characteristics of SAR equipment that should be compatible and/or interoperable.

Data and information: Promote the collection and free exchange of information and data applicable to SAR prevention and response.

3.2 Objectives of the Contribution Program in Support of the Search and Rescue New Initiatives Fund

The SAR NIF is a key element of the National SAR Program and has contributed significantly to advancing technology and improving Canada's ability to provide an effective and capable SAR response in all areas and jurisdictions, as well as for safety promotion and education.

The objectives of the SAR NIF are to:

- enhance the effectiveness of the SAR response in federal, provincial and territorial jurisdictions;
- promote and support projects designed to develop and improve SAR prevention; and,
- share SAR response and prevention best practices throughout the SAR community.

The ultimate outcome of the SAR NIF is to support the efforts of the National SAR Program to provide a seamless SAR through improved partnerships and increased interoperability and cooperation.

4. RESOURCES

4.1 Maximum Amount Payable

The maximum amount payable to a recipient is \$20,000,000 over the five year period.

Although the primary goal of the program is not to allocate funds to one single recipient, flexibility in the allocation of funds is essential to allow the NSS/DND to strategically invest the SAR NIF in specific sectors of the National SAR Program, in accordance with the strategic priorities established by the ICSAR.

The maximum amount payable for this Contribution Program is \$40,500,000 over five years, subject to review. The contribution breakdown is as follows:

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	TOTAL
SAR NIF	\$8,100,000	\$8,100,000	\$8,100,000	\$8,100,000	\$8,100,000	\$40,500,000

The additional costs for NSS/DND to manage and administer this program will be funded from the Defence Services Program existing reference level Vote 1 - Operating Expenditures. The NSS/DND may incur additional costs to outsource for a summative program evaluation, costs that are not anticipated at this time within the existing Department of National Defence Vote 1 - Operating Expenditures. Such costs could approach \$100,000 and will be funded within DND's existing reference level.

Any additional cost in the management and administration of this Contribution Program by the managing departments and agencies will be funded from their own existing reference level Operating Expenditures Votes.

4.2 Delegation of Authority

In DND, the LMSAR/MND delegates the authority to approve, sign and amend contribution agreements to the organizational position of NSS Executive Director, the NSS Director of Coordination and the Director, Air Requirements, Canadian Forces.

The LMSAR/MND will enter into MOUs to authorize the following organizational positions in the managing departments and agencies to approve, sign and amend contribution agreements (section 32 of the FAA) with eligible SAR NIF recipients on behalf of DND/NSS once the managing departments or agencies have received approved funding for the proposals they have presented to the SAR NIF Merit Board.

Deputy Minister Environment Canada	Director General National Parks Directorate Parks Canada
Director General Maritime Services Canadian Coast Guard Department of Fisheries and Oceans	National SAR Coordinator Royal Canadian Mounted Police
Manager Search and Rescue Canadian Coast Guard Department of Fisheries and Oceans	Director General Strategies and Integration Safety and Security Transport Canada

In DND, the LMSAR/MND delegates the authority to certify invoices for payment (section 34 of the FAA) to the following organizational positions of Director of Coordination, NSS and to the Resource Centre Manager, Canadian Forces.

In DND, the LMSAR/MND delegates the authority to approve payments (section 33 of the FAA) of contributions agreements as per current *Delegation of Authorities for Financial Administration for the Department of National Defence and Canadian Forces*.

The signing authority under sections 33 and 34 of the *Financial Administration Act* to approve contribution payments will be delegated to the following organizational positions in managing departments and agencies by the LMSAR/MND in the MOUs to be signed by the LMSAR/DND and the Minister responsible for each of those departments:

Section 34	Section 33
NIF Project Manager Environment Canada	Regional Managers of Finance Environment Canada
Regional Superintendents Maritime Services Canadian Coast Guard Department of Fisheries and Oceans	Financial Officers Canadian Coast Guard Department of Fisheries and Oceans
Manager Search and Rescue Canadian Coast Guard Department of Fisheries and Oceans	Executive Director, Finance National Parks Directorate Parks Canada
National Public Safety Specialist National Parks Directorate Parks Canada	Financial Officers National Headquarters Royal Canadian Mounted Police
National SAR Coordinator Royal Canadian Mounted Police	Delegated Financial Officers Transport Canada
Regional or NCR functional directorate Responsibility Centre Manager Transport Canada	

4.3 Intended Recipients

Eligible recipients are provincial and territorial governments, profit and not-for-profit Canadian organizations from volunteer, academic or private sectors and individuals with responsibilities in the National SAR Program whose proposals have been approved for funding and with whom an agreement has been established.

The National SAR Program encompasses the efforts and activities of all levels of government, corporate and volunteer sectors, and a vast array of organizations and programs related to:

- providing information;
- applying technology;
- conducting research; and,
- preventing SAR incidents from occurring or saving lives of people at risk.

Provinces and territories are recipients in their own right. While most federal SAR operations are coordinated by the Joint Rescue Coordination Centres, non-federal SAR activities are the responsibility of individual provinces and territories, and operations are coordinated by the police force of each jurisdiction (RCMP under contract policing, Ontario Provincial Police, Sûreté du Québec and Royal Newfoundland Constabulary). Provinces and territories survey organizations within their jurisdiction to determine priorities and

needs. Each province or territory submits one overarching proposal to cover the cost of the project(s) selected for funding within their jurisdiction to the NSS/DND to be reviewed by the SAR NIF Merit Board. Once projects are approved by LMSAR/MND and funding has been allocated by the NSS/DND, the NSS/DND will enter into a contribution agreement with each of the provinces and territories.

4.4 Stacking Provisions

The maximum total government assistance (i.e. total federal, provincial and municipal assistance) is 100 percent of eligible expenditures. The total SAR NIF assistance will not exceed 99% of the project cost.

All projects must be cost-shared for a minimum of 1% from other sources. Cost sharing can come from any source - federal government (departmental funds or from other programs such as Public Safety and Emergency Preparedness Canada's Joint Emergency Preparedness Program), provincial or territorial governments, private sector, volunteer sector, industry etc. Recipients must disclose all sources of funding for a proposed project before the start, during and at the end of a project.

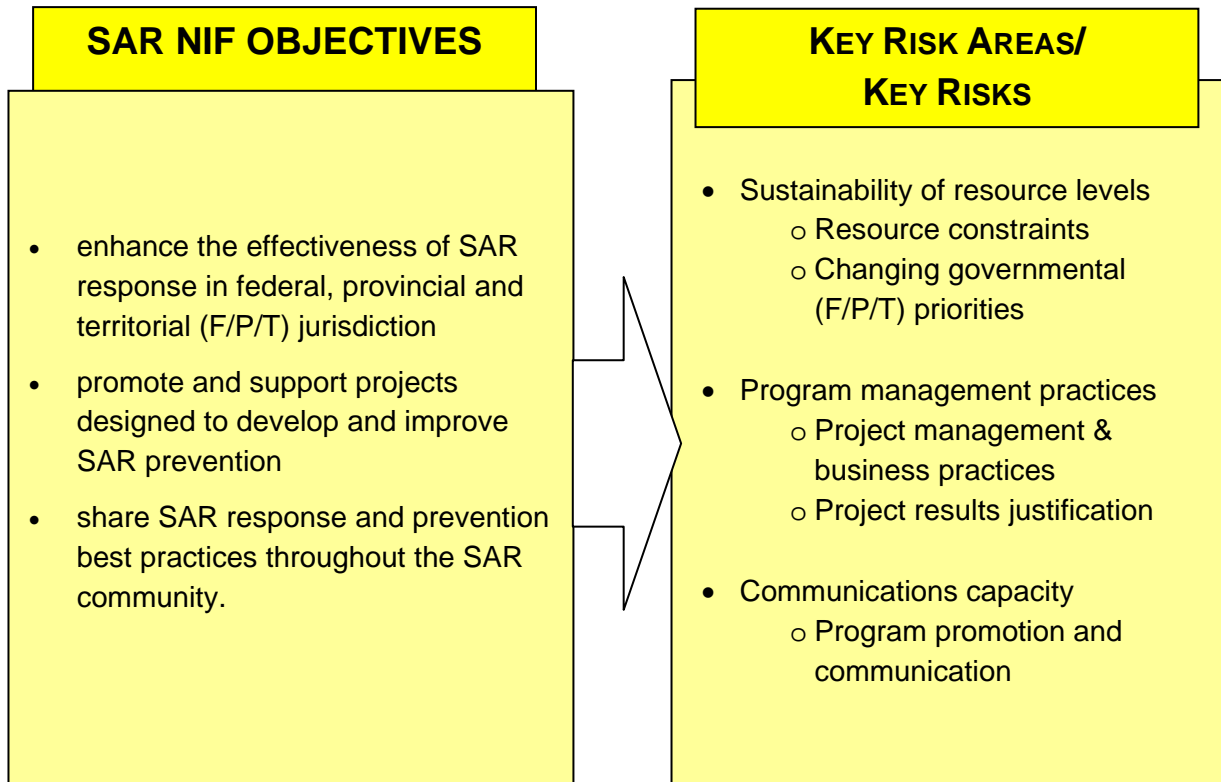
A provision for repayment is to be included in contribution agreements in case more funding than was anticipated is provided from a federal, provincial and municipal sources.

4.5 Key Risk Areas

Key Risk Areas (KRAs) are the source areas that naturally generate specific risks which could influence the achievement of business objectives. KRAs are derived from a program's mandate and objectives, and the internal and external environment in which the program is delivered.

KRAs, set out in **Exhibit 1**, provide a macro view of the main areas that challenge the achievement of objectives and facilitate management's understanding of the strategic and environmental context. KRAs also facilitate the identification and assessment of specific risks that will require careful management.

Exhibit 1: Key Risks Areas



5. PROGRAM RISK IDENTIFICATION, ASSESSMENT AND MANAGEMENT SUMMARY

Through systematic risk identification, assessment and development of response procedures, program managers have gained an explicit and common understanding of the key risks faced by the SAR NIF. This analysis has established the main operational risk mitigation measures and controls that will be integrated into program monitoring practices to ensure that there is a cost-effective balance between the risk levels and investments in response measures and stakeholders' interests.

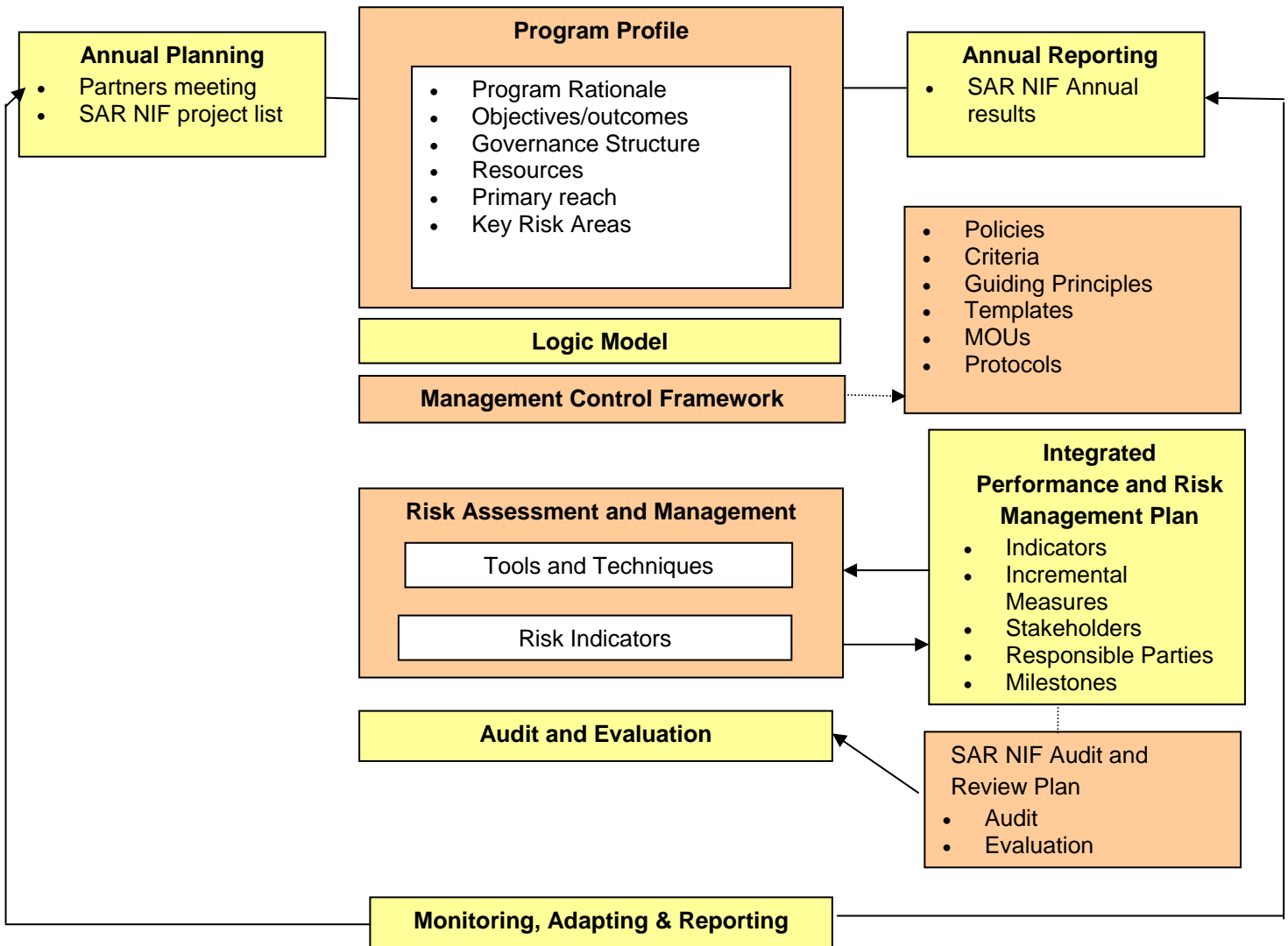
5.1 Methodology

The following process and techniques were applied in the risk assessment and preparation of the risk management summary.

5.2 Accountability and Risk Management

An Accountability and Risk Management framework provides an integrated set of management practices and operational delivery controls to efficiently and cost-effectively achieve objectives and mitigate risks. As illustrated below in **Exhibit 2**, the framework is a strategic link in the process of establishing accountability and risk management for the SAR NIF.

Exhibit 2: SAR NIF Accountability and Risk Management Model



5.3 Preparation Steps

Preparatory activities included the:

- selection of parties that should be involved - Managers, Senior Advisors and Senior Management representatives as well as Audit and external risk management experts;
- establishment of a “time horizon” which reflects the five-year funding timeframe;
- review and refinement of a Risk Matrix Tool to set criteria for estimating the levels of impact and likelihood of risks which are indicative of SAR NIF’s operating environment;
- consideration of a *Sources of Risk* Template, as a prompt for risk identification; and
- agreement on the definition of risk that would be used - “combination of the likelihood of an event and its impact”. Source: International Standard Organization (ISO)

5.4 Risk Management Process

The following risk assessment methodology was followed:

1. Understand Objectives

- Articulation of intermediate outcomes established in the SAR NIF Logic Model.

2. Risk Identification

- Brainstorming of all possible Risk Areas (RAs) (i.e. events, hazards, issues and circumstances that could lead to an impact).

3. Risk Assessment

- An analysis of the risk impact (minor/moderate/severe) to determine the most significant or sensitive risks that would require management action to mitigate the risk.
- An analysis of the likelihood of the risk happening (high/medium/low) to help determine the extent of management actions to mitigate the risk.
- Identification of concerns and impacts related to the RAs.
- Determination of existing mitigation measures.
- Estimation of the residual risk that reflects the level of likelihood and impact of concerns materializing, given the information on existing measures.

4. Risk Response

- Development of incremental strategies in cases where the estimated level of residual risk was unacceptable.

5. Preparation of Risk Summaries:

- Summary of areas of concern related to risks as well as their existing and incremental risk management strategies.

5.5 Overall Assessment

Three (3) key risk areas were identified as potential events or circumstances that can significantly impede the achievement of the program’s objectives. These include:

1. Sustainability of resource levels,
2. Program management practices, and
3. Communication capacity

These key risk areas are presented in Table 1. Each key risk area was analysed to assess the specific key risks associated with each. The overall assessment of these key risks is shown in **Exhibit 3**, the Risk Scorecard.

The overall assessment is that the SAR NIF Program’s risk is **high**, based upon the Risk Scorecard.

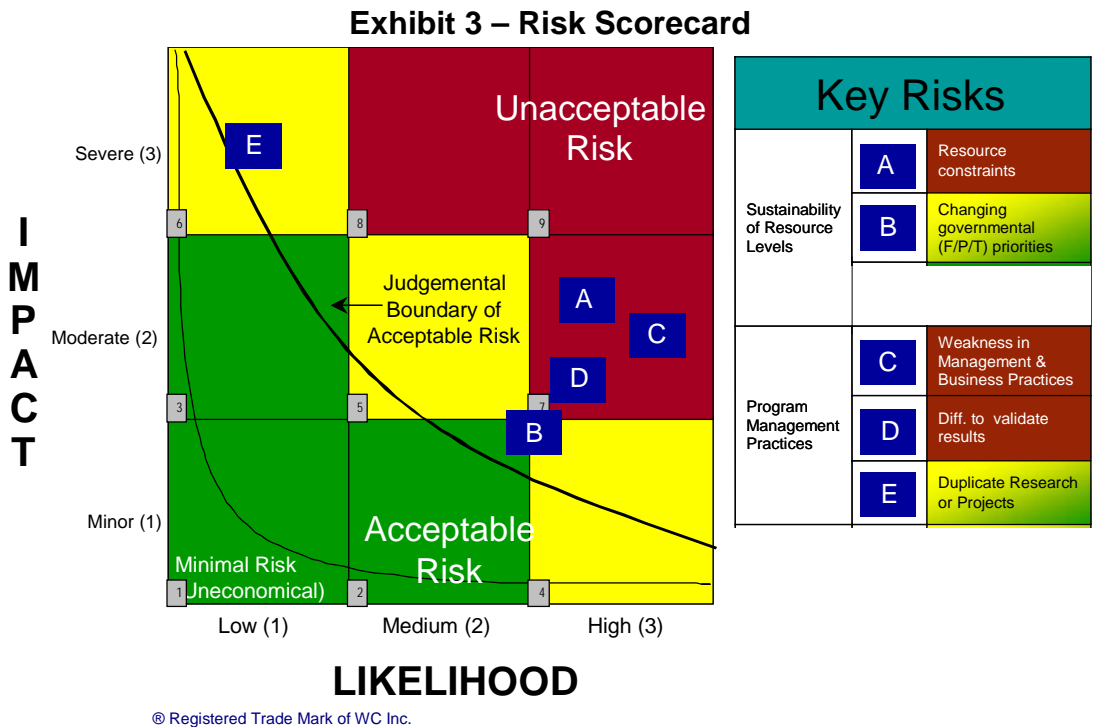
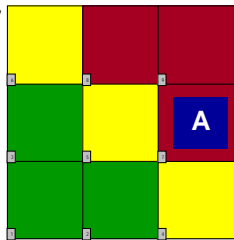


Table 1: Risk Assessment and Management Summaries

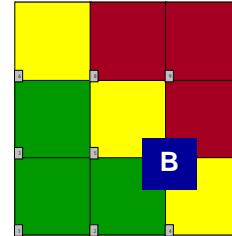
<p>ULTIMATE OUTCOME: Support the efforts of the National SAR Program to provide a seamless SAR program through improved partnerships and increased interoperability and cooperation</p>		
<p>KEY RISK AREA: SUSTAINABILITY OF RESOURCE LEVELS</p>		
<p>KEY RISK: A - RESOURCE CONSTRAINTS</p> <p style="text-align: right;"><i>Residual Risk level:</i></p> 		
Particular Concerns/Risks and Impacts (Damages & Liabilities, Operational Effects, Reputation loss)	Existing Mitigation Measures	Incremental Mitigation Measures
<ul style="list-style-type: none"> Resources for the SAR NIF program are limited despite additional workloads. Central agency policies and procedures are continually evolving and more demanding. Potential cutbacks within NSS over the next three to four years could influence SAR NIF implementation. <p>Impact</p> <ul style="list-style-type: none"> Increased workload makes the achievement of timely projects difficult. Communication between the NSS and recipients could suffer. Difficulties in scrutinizing and managing projects properly could lead to project difficulties, diminished results and management challenges. <p>Likelihood</p> <p>High – resource constraints are presently occurring.</p>	<ul style="list-style-type: none"> Tools ready for participants' use (e.g. SAR NIF Program Guide, information posted on the website) Agreements in place to ensure roles and responsibilities are clear for all participants (e.g. MOU's, Contribution Agreements etc) Site visits and meetings with managing departments/agencies, recipients and current and potential applicants Training and information sessions for managing departments and agencies, recipients and other participants Ongoing streamlining and automation of processes 	<ul style="list-style-type: none"> Develop/implement SAR NIF Information System (NIFIS) Evaluate future resource needs Encourage Recipients to provide clear and concise proposals SAR NIF management more rigorous due to government policies

ULTIMATE OUTCOME:

Support the efforts of the National SAR Program to provide a seamless SAR program through improved partnerships and increased interoperability and cooperation

KEY RISK AREA: SUSTAINABILITY OF RESOURCE LEVELS

Residual Risk level:



KEY RISK: B - CHANGING GOVERNMENTAL PRIORITIES (FEDERAL/PROVINCIAL/TERRITORIAL)

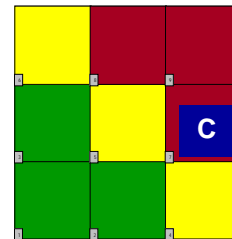
<p>Particular Concerns/Risks and Impacts (Damages & Liabilities, Operational Effects, Reputation loss)</p>	<p>Existing Mitigation Measures</p>	<p>Incremental Mitigation Measures</p>
<ul style="list-style-type: none"> Government’s overall priorities are fluid. Departmental financial priorities are uncertain Priority emphasis on SAR is determined by severe events, which have not occurred in recent years Future evaluations may recommend that priorities be redirected Partners’ interests in the SAR NIF are being displaced by issues such as security, health etc. <p>Impact</p> <ul style="list-style-type: none"> Potential reduction or increase in the SAR NIF budget (\$8.1M) will have an impact on the overall program <p>Likelihood</p> <p>Medium – Policy changes occur on cyclical basis.</p>	<ul style="list-style-type: none"> Tools to build awareness of priorities in place (Annual report, website, SARSCENE magazine) TBS member on ICSAR and Coordination and Review Subcommittees GSAR Council link with P/T governments to establish priorities Utility of the National SAR Program Management Framework to bring SAR issues and SAR NIF strategy to the LMSAR/DND and Parliamentarians 	<ul style="list-style-type: none"> Use the performance and risk data provided by the new management tools to enhance program communications

ULTIMATE OUTCOME:

Support the efforts of the National SAR Program to provide a seamless SAR program through improved partnerships and increased interoperability and cooperation

KEY RISK AREA: PROGRAM MANAGEMENT PRACTICES

Residual Risk level:



KEY RISK: C – WEAKNESS IN SAR NIF PROJECT MANAGEMENT AND BUSINESS PRACTICES

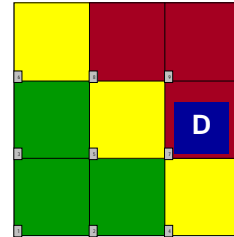
<p>Particular Concerns/Risks and Impacts (Damages & Liabilities, Operational Effects, Reputation loss)</p>	<p>Existing Mitigation Measures</p>	<p>Incremental Mitigation Measures</p>
<ul style="list-style-type: none"> • Incompatibility between DND’s financial system (FMAS) and SAR NIF’s financial tracking tool (Excel spreadsheets) results in extensive reconciliation requirements • SAR NIF is dependent on one resource with knowledge of the financial reconciliation process • Requirement for the LMSAR/DND to sign off approved projects causes significant delays • Unclear departmental payment authorities cause delays and may lead to potential embarrassment • Methodology or tools are not available to easily extract information from project data sources to produce reports <p>Impact</p> <ul style="list-style-type: none"> • Project delays • Inefficient use of resources • Decision-making without good information <p>Likelihood High – weaknesses identified in recent audit and evaluation.</p>	<ul style="list-style-type: none"> • Numerous hardcopy documents to support the reconciliation process • In-house financial expert who understands all the systems • TBS Analyst on ICSAR • Development of RMAF and RBAF • NSS’s direct reporting relationship with the Lead Minister for approval • Administrator to extract information manually, as required • Examination and consideration of information systems • Program audit conducted in 2005 	<ul style="list-style-type: none"> • Develop and implement of NIFIS • Train another person in financial reconciliation • Clarify payment authorities in new Terms and Conditions • Implement RMAF and RBAF • Develop and implement of a management action plan to address the recommendations of the audit

ULTIMATE OUTCOME:

Support the efforts of the National SAR Program to provide a seamless SAR program through improved partnerships and increased interoperability and cooperation

KEY RISK AREA: PROGRAM MANAGEMENT PRACTICES

Residual Risk level:



KEY RISK: D – DIFFICULTY TO VALIDATE PROGRAM RESULTS

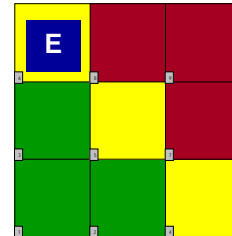
<p>Particular Concerns/Risks and Impacts (Damages & Liabilities, Operational Effects, Reputation loss)</p>	<p>Existing Mitigation Measures</p>	<p>Incremental Mitigation Measures</p>
<ul style="list-style-type: none"> • The benefits of the program are not regularly communicated • It is difficult to justify value-added and communicate longer-term benefits • It is inherently more difficult to demonstrate results for the prevention objective of the program • Similar/repeated projects are not easily explained or justified • Good indicators for program monitoring are lacking • Shared accountability impedes a collective focus on results • Final reports and evaluations are often not completed because they are due after funding has been completed <p>Impacts</p> <ul style="list-style-type: none"> • Resource cutbacks where results cannot be demonstrated • A loss of NSS credibility <p>Likelihood High – Program results currently very difficult to measure.</p>	<ul style="list-style-type: none"> • Development of an RMAF and RBAF • Program evaluation conducted in 2005. • The SAR NIF Program Guide requirement for a final report and evaluation • Periodic program evaluations • Proactive efforts to prevent future problems • Annual audit of selected (active/completed) projects • Coordinated collaborative SAR NIF process to mitigate potential shared accountability issues 	<ul style="list-style-type: none"> • Implement of RMAF and RBAF • Develop and implement of a management action plan to address the recommendations of the evaluation • Adjust provisions for final report and evaluation requirement– (i.e. hold-back payment for resource support; 10% holdback will be forfeited if recipients fail to complete final reports and evaluations within 180 days of project completion) • Re-align the Guide to reflect National SAR Program objectives and strategies • Regularly communicate benefits and success stories (web site and others) • Ensure that NIFIS addresses the results justification issue • Ensure a better linkage to National SAR Program outcomes and indicators

ULTIMATE OUTCOME:

Support the efforts of the National SAR Program to provide a seamless SAR program through improved partnerships and increased interoperability and cooperation

KEY RISK AREA: PROGRAM MANAGEMENT PRACTICES

Residual Risk level:



KEY RISK: E – DUPLICATION OF RESEARCH OR PROJECTS

<p>Particular Concerns/Risks and Impacts (Damages & Liabilities, Operational Effects, Reputation loss)</p>	<p>Existing Mitigation Measures</p>	<p>Incremental Mitigation Measures</p>
<ul style="list-style-type: none"> Proposals are being submitted that duplicate previous work or reflect a follow-on nature without discernable new results SAR NIF needs to be aware of initiatives that other groups or organizations are funding in order to avoid duplication <p>Impact</p> <ul style="list-style-type: none"> Ineffective use of government resources due to duplicate funding or follow-on projects that do not produce incremental results <p>Likelihood High – Identified as an issue in the 2005 audit of the program</p>	<ul style="list-style-type: none"> Vetting of proposals upon receipt Proactive measures by NSS staff to avoid duplication NSS liaison with JEPP, Cook-Rees Fund, F/P/T partners SAR NIF Merit Board, ICSAR and Subcommittees 	<ul style="list-style-type: none"> Develop and implement NIFIS Increase communication of project results Develop strategies to avoid follow-on projects (e.g. proposal criteria) Encourage managing departments and agencies to do a more rigorous initial review of proposals Maintain a database of approved project information

6. PROGRAM MONITORING AND RECIPIENT AUDITING

6.1 Recipient Auditing

The Executive Director of the National Search and Rescue Secretariat, as the accountable Program Manager of the SAR NIF, reserves the right to require an audit of any SAR NIF project or recipient funding agreement, in accordance with the memorandum of understanding (MOU) for the managing departments and agencies, as well as the contribution agreements with provincial and territorial recipients.

The NSS/DND and the managing departments and agencies are responsible for auditing projects during implementation or following completion to ensure that recipients are using funds for the expected purpose and are compliant with the terms and conditions of the contribution agreement. Audit results will be shared with the NSS/DND.

The audits will determine whether an appropriate level of due diligence was applied in the management of public funds, as demonstrated through proper compliance with program guidelines.

The audits conducted are selected based on an analysis of risk factors, such as materiality, importance to the achievement of the National SAR Program priorities and past difficulties in managing SAR NIF responsibilities; or may also be selected based as a result of sampling processes. Prior to commencing any audits, the proposed audit plan will be reviewed by the ICSAR Review Subcommittee, which is composed of subject-matter experts from ICSAR Departments and Treasury Board. SAR NIF **Risk-based Recipient Audit Planning** approach is illustrated at **Exhibit 4**.

Exhibit 4: Risk-based Recipient Audit Planning Worksheet

Recipient Audit Risk Factors	Risk Rating Scale		Rating
	Low	High	
<ul style="list-style-type: none"> ▪ Materiality ▪ Political Sensitivity ▪ Policy/Program Importance ▪ Complexity of the Recipient Environment ▪ Governance Risk ▪ Control/Risk Experience with Recipient ▪ Recipient Experience with Contributions ▪ Past Audit Experience with Recipient ▪ Provision of deliverables/supporting documentation 	<p><\$250,000</p> <p>Not sensitive</p> <p>Low Priority</p> <p>Not Complex</p> <p>Few Concerns</p> <p>Few Concerns</p> <p>Considerable</p> <p>Few Issues</p> <p>Clear deliverables/ supporting documentation available</p>	<p>>\$250,000</p> <p>Sensitive</p> <p>Gov't-wide Priority</p> <p>Highly Complex</p> <p>Many Concerns</p> <p>Many Concerns</p> <p>Little</p> <p>Many Issues/Not Audited</p> <p>No deliverables or supporting documentation</p>	<p>3</p> <p>1</p> <p>2</p> <p>2</p> <p>3</p> <p>2</p> <p>1</p> <p>2</p> <p>2</p>
OVERALL RATING			18
Recipient Audit Risk Rating	Low Risk (0-8)	Medium Risk (9-14)	High Risk (15-18)

As a general guide, the following audit considerations are applied in relation to the levels of risk:

LOW Risk – a minimum number of recipient audits will be conducted to signal that Canada will exercise its “right to audit” clause, as a matter of principle. In addition, a small sample of client financial statements audits (prepared by recipient’s external auditor) may be reviewed.

MEDIUM Risk - a sample of recipient audits will be conducted to cover the issues underlying the audit rating. In addition, a small sample of client financial statements audits (prepared by recipient’s external auditor) will be reviewed.

HIGH Risk - a larger sample of recipient audits will be conducted to cover the issues underlying the audit rating. Consideration will also be given to possible improvements to the Management Control Framework that could be cost-effectively implemented to reduce the recipient audit risk. In addition, a small sample of client financial statements audits (prepared by recipient's external auditor) will be reviewed.

6.2 Ongoing Monitoring and Reporting

The NSS contracted Consulting and Audit Canada to conduct an audit and an evaluation of the New SAR Initiatives Fund (NIF). The examinations were conducted to comply with the information requirements of the Treasury Board and to assist the NSS in program redesign in preparation for approval of renewed Terms and Conditions for the new SAR NIF in 2005.

Both the audit and the evaluation covered the period of fiscal years 2003-2004 and 2004-2005. The examination was limited to these years, since the National SAR Program had only implemented its new management framework in late 2003 and thus, it would be unreasonable to judge the pre 2003 NIF and its projects against criteria that had not been established. The examination covered both the contribution portion of NIF and those funds managed as operations or capital funds by Federal departments.

The objectives of the evaluation were threefold. The first was to determine the relevance of the Program; the second was to identify whether the Program was successful in achieving results in support of the National SAR Program; and the third was to determine whether the design and delivery structure of the NIF program enable the most appropriate and efficient means to achieve National SAR Program objectives.

The evaluation noted that the SAR NIF is successful in "demonstrating the federal government's strong commitment to search and rescue", and that "the Search and Rescue New Initiatives Fund provides the federal government with a national presence that it may not otherwise be capable of having".

The objective of the NIF audit was to provide assurance that the NIF is managed according to applicable governmental and departmental policies and procedures. The audit reviewed and assessed the authorities and management control framework for NIF at the NSS. This included interviews and documentation review with respect to the application submission process, the application review and approval process, the payment process, and project monitoring and reporting.

The audit showed that the management and administration of the SAR NIF is being conducted in a transparent and professional manner.

All management weaknesses identified in the evaluation and the audit reports will be addressed via a management action plan which is scheduled for completion in conjunction with the SAR NIF renewal in 2005-2006.

To assist in performance monitoring, the NSS has developed performance measures for the SAR NIF program. These performance measures, along with the performance

measurement strategy can be found in the Results-Based Management Accountability Framework (RMAF) for the SAR NIF.

6.3 Cost of Auditing and Monitoring

Ongoing program monitoring is paid from Vote 1 Salary, Personnel, Operating & Maintenance funds. Due to the small size of the NSS and the SAR NIF program, resources used to monitor this contribution program are shared with other functions. In addition to the monitoring performed by the program manager, overall monitoring of all transfer payments programs has been implemented at DND corporate level. The resources allocated to the corporate monitoring are also shared amongst other functions. Program monitoring is in place, at different levels; however, due to the split functions it is difficult to determine the cost specifically related to the monitoring of this program. It is estimated that approximately 1FTE is devoted to program monitoring at the NSS.

Audits of the recipients will be conducted at two levels. Managing Departments may audit compliance with contribution agreements they manage on behalf of NSS/DND, and share findings with NSS. The NSS/DND may audit compliance with contribution agreements it manages, mostly with provinces and territories, but also with other recipients in cooperation with managing departments. NSS/DND has identified \$100,000 annually for ongoing SAR NIF audit and evaluation and \$100,000 annually for National SAR Program evaluations, from which the SAR NIF program evaluation would occur every 5 years, for an average of \$120,000 per year. An estimated 0.5 FTE will be engaged in the NIF audit and evaluation program, which includes the 5 year program evaluation.

6.4 SAR NIF Policies, Guidelines and Partnership Arrangements

The NSS has developed appropriate policies, procedures and guidelines that facilitate effective monitoring of the SAR NIF Program. The *SAR NIF Program Guide* outlines the requirements of recipients and the general roles and responsibilities of the various delivery partners. The *Guide* provides extensive information for NSS staff, managing departments and agencies, provincial and territorial recipients, and other potential SAR NIF recipients on all aspects of SAR NIF, including a detailed application process, monitoring and reporting requirements as well as audit and evaluation requirements.

An annual *SAR NIF Call Letter* communicates the strategic direction or focus of the SAR NIF program, for any given year, to ensure projects reflect the needs and requirements of the SAR NIF partners. Program information and project results are also communicated to the SAR community and general public through the NSS website and the online SARSCENE magazine.

The SAR NIF Program is managed through a shared delivery model where the NSS and the SAR NIF managing departments and agencies are jointly responsible for overall management and oversight. While NSS is responsible and accountable for the Program and oversight of the application process, SAR NIF partners are responsible for the day-to-

day management of SAR NIF projects. Roles, responsibilities and authorities of SAR NIF managing departments and agencies are formalized through MOUs with NSS/DND. Roles and responsibilities of the recipients are formalized through contribution agreements.

The NSS holds annual meetings with partners to communicate and share policy issues, possible improvements, best practices and lessons-learned.

Following notification of project approval, the managing department or agency enters into a contribution agreement with the recipient which is based on the terms of an MOU between the managing department and DND and the terms and conditions approved by the Treasury Board for the contribution program in support of the SAR NIF. The NSS/DND and the managing departments and agencies enter into contribution agreements with each recipient.

The recipients are responsible and accountable for individual SAR NIF project results within their area of responsibility. SAR NIF recipients are required to provide interim reports as follows:

<p>Quarterly Status Reports</p>	<p>to summarize the status of the project in relation to the approved management plan for each quarter and provide an explanation of any variances; and</p>
<p>Project Amendments (if/when required)</p>	<p>to request an alteration to the SAR NIF project's timeframe, scope or budget to approving authority.</p>

SAR NIF projects are funded through invoice payments, on a quarterly basis. Payment is made to the recipient after certification to ensure substantiation of eligible expenditures and compliance with SAR NIF criteria.

NSS and managing departments and agencies process invoices from their recipients provided that:

- all outstanding quarterly reports have been submitted; and
- the amount of the invoice matches the expenditures identified in the quarterly report.

Advance payments require written justification, a cash flow requirement in respect of eligible expenditures and must be accounted for in order to receive subsequent payments.

Financial comptrollership of SAR NIF provincial and territorial projects is facilitated through a locally-based spreadsheet system which is used to track program and project specific financial information, including funding schedules, budgeted vs. actual expenditures,

amendments and reports. This local system is regularly reconciled with DND's FMAS system. Managing departments and agencies will keep track of project specific financial information and will account of the use of the delegated financial authority periodically, as agreed in the MOU between DND and the managing department.

The NSS will develop and implement a SAR NIF Information System (NIFIS).

6.5 Project Performance Reporting

The recipients are required to submit a Final Report that objectively summarizes how the SAR NIF resources have been used and the benefits to the National SAR Program. The summary report is prepared in a prescribed format and includes a description of objective(s), activities (methodology, location, etc.), results, evaluation, communications activities, bibliography references of printed/published materials and suggested follow-up activities. SAR NIF managing departments and agencies will collect and forward a copy of all Final Reports to the NSS/DND.

The NSS produces an annual final report of completed SAR NIF projects. The final report is available on the NSS web site to encourage greater communications and understanding of the types of activities that have been supported by SAR NIF.

Recipients are also required to submit a Post-Project Evaluation to NSS within six months of project completion. SAR NIF managing departments and agencies will collect and forward copies of all Post-Project Evaluations to the NSS/DND.

6.6 Integrated Risk Management

Up until recently, risk management practices within SAR NIF and the NSS have been largely intuitive in nature. In 2003, NSS and ICSAR made a commitment to more proactively and systematically manage risk through the development of an RMAF and risk management strategies for both the Federal SAR Program and SAR NIF.

7. DND/NSS INTERNAL AUDIT

An internal audit of a transfer payment program provides program management with assurance as to the soundness of the risk management strategy and practices, the management control framework and practices, and the information being used for decision making and reporting. Specifically, an internal audit would examine whether:

- due diligence is exercised with regard to the expenditure of public funds;
- the transfer payment program is administered in accordance with the terms and conditions of the funding authority;
- relevant legislation and policy (e.g. Financial Administration Act and the Policy on Transfer Payments) are being respected;

- the transfer payment program has a risk management strategy and whether systematic risk management is used, where the magnitude and complexity of issues would warrant; and
- the quality of information is adequate for decision-making.

Internal audit sections within DND, NSS and Federal departments and agencies are collaboratively responsible for the audit/review of the SAR NIF horizontal initiative.

DND Chief Review Services (CRS) conducted a strategic evaluation and detailed risk assessment of all its departmental transfer payment programs in FY 2004/05. The methodology of the risk assessment was based upon five criteria including value, public profile, complexity, recipient history and the effectiveness of the management control framework of the programs. The results of the risk assessment are being used as part of the development of annual work plans to determine the need for auditing individual transfer payment programs. Specifically, the SAR NIF Program was rated a high risk in terms of the value of financial and public exposure of the program. CRS has not conducted an audit of this program in the past, however NSS Internal Audit contracted an audit using Consulting and Audit Canada this fiscal year (FY 2005/2006). Audit results have been summarized within this document and management action plans have been submitted to address the deficiencies noted in the audit.

The cost of conducting future internal audits will depend on the audit objectives and scope at the time, i.e. the specific management concerns or issues that may arise.

8. REPORTING STRATEGIES

8.1 SAR NIF Reporting

SAR NIF will rely on the following reporting strategy.

Reporting Activity	Product	Responsibility	Schedule of Reports
Quarterly Reporting	- SAR NIF Quarterly Report	NSS and managing departments and agencies	- quarterly
Annual Reporting	- SAR NIF Annual Report	NSS	- yearly
Ongoing Risk Monitoring	- as required by Performance measurement and Risk Monitoring strategy	NSS and managing departments and agencies	end of FY 2005-06 end of FY 2006-07 end of FY 2007-08 end of FY 2008-09 end of FY 2009-10
Recipient Project Audits	- Project audit reports	NSS (conducted by Consultant)	- yearly
Internal Audit	- 2009/10 SAR NIF Review	NSS (conducted by Consultant)	End of FY 2008-09

The results of ongoing risk monitoring and performance reporting will be used to make the necessary adjustments to the initiative. In addition, the risk strategies will be reviewed on an annual basis. Adjustments will be made as required to ensure that the information is appropriate and useful for ongoing management requirements.

8.2 Reporting Requirements

Once a proposal is approved and the project implemented, all recipients must provide the following reports to the SAR NIF managing department or agency or to the NSS, according to the terms of the contribution agreement:

- Quarterly Status Reports at the end of each quarter
- Project Amendments (if/when required)
- A final summary report when the project is completed
- Post-project evaluation
- Project deliverables including photos/digital images, where appropriate
- Project Audits conducted by the managing department or agency or by the provincial/territorial recipient as applicable

Recipients of multi-year projects must adhere to the same reporting requirements and due dates for each year of the project. These reports provide the basis for the management and accountability of the SAR NIF. The information in these reports provides information needed by the Secretariat for ongoing reporting on the SAR NIF.

In addition to reporting requirements by recipients, each contribution agreement makes the provision for the conduct of an independent project audit. These audits are designed to ensure that the recipient organizations are managing in compliance with the principles set out in the SAR NIF Guide and the approved proposal.