Standing Committee on Public Accounts

34th Yukon Legislative Assembly

First Report
August 2017

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STACEY HASSARD, MLA
Pelly-Nisutlin
Chair

PAOLO GALLINA, MLA
Porter Creek Centre
Vice-Chair

TED ADEL, MLA
Copperbelt North

LIZ HANSON, MLA
Whitehorse Centre

DON HUTTON, MLA
Mayo-Tatchun

BRAD CATHERS, MLA
Lake Laberge
substituting for
WADE ISTCHENKO, MLA
Kluane

Allison Lloyd
Clerk to the Committee

Volume 23

Yukon Legislative Assembly

Standing Committee on Public Accounts

34th Yukon Legislative Assembly

August 11, 2017

Hon. Nils Clarke, MLA
Speaker
Yukon Legislative Assembly

Dear Sir:

On behalf of the members of the Standing Committee on Public Accounts, appointed by order of the 34th Yukon Legislative Assembly, I have the honour to present the committee's First Report.

Sincerely,

Stacey Hassard, MLA
Chair

Preface

The Standing Committee on Public Accounts

The basic purpose of the Standing Committee on Public Accounts is to ensure economy, efficiency and effectiveness in public spending. The committee's authority is derived from Standing Order 45(3) of the Standing Orders of the Yukon Legislative Assembly, which says

> At the commencement of the first Session of each Legislature a Standing Committee on Public Accounts shall be appointed and the Public Accounts and all Reports of the Auditor General shall stand referred automatically and permanently to the said Committee as they become available.

On January 12, 2017, the Yukon Legislative Assembly adopted the following motion:

> THAT Stacey Hassard, Paolo Gallina, Ted Adel, Don Hutton, Wade Istchenko and Liz Hanson be appointed to the Standing Committee on Public Accounts established pursuant to Standing Order 45(3),
>
> THAT the Committee have the power to call for persons, papers and records and to sit during intersessional periods; and
>
> THAT the Clerk of the Legislative Assembly be responsible for providing the necessary support services to the Committee. (Motion No. 6)

The committee first met on March 1, 2017. At that meeting, the committee elected Stacey Hassard as Chair and Paolo Gallina as Vice-Chair.

This report

On March 6, 2017, Michael Ferguson, CPA, CA, FCA, Auditor General of Canada, released *Report of the Auditor General of Canada to the Yukon Legislative Assembly - 2017: Government Transfers to Societies - Yukon*. The report was presented to the Hon. Nils Clarke, the Speaker of the Yukon Legislative Assembly, that morning. The Speaker then authorized its distribution to Members of the Legislative Assembly. Once members had received their copies the report was posted to the website of the Auditor General of Canada. At that point the report became a public document.

On the same day Members of the Yukon Legislative Assembly had the opportunity to ask questions of the Auditor General at an in-camera briefing in the Legislative Assembly chamber.

The Public Accounts committee of the 34th Legislative Assembly first discussed the Auditor General's report at a meeting held on March 6, 2017. At this meeting the committee adopted the following motion:

> AGREED, on motion of Mr. Adel, seconded by Ms. Hanson,
> "THAT the Standing Committee on Public Accounts hold public hearings on the performance audit reports presented (*Report of the Auditor General of Canada to the Yukon Legislative Assembly - 2017: Government Transfers to Societies – Yukon,*

and *Report of the Auditor General of Canada to the Yukon Legislative Assembly - 2017: Capital Asset Management – Yukon*), on dates to be determined by the committee in consultation with the Office of the Auditor General."

At its meeting on April 3, 2017, the committee adopted the following motion:

AGREED, on motion of Mr. Adel, seconded by Mr. Hutton,
"THAT the Standing Committee on Public Accounts hold public hearings on Wednesday, June 28, 2017 (on the report on government transfers to societies) and Thursday, June 29, 2017 (on the report on capital asset management)".

In preparation for the public hearing the committee also held meetings on June 2, 14 and 28, 2017. At these meetings members discussed the Auditor General's report, and drafted questions which were distributed amongst the committee members.

Prior to the public hearing, the Department of Community Services, the Department of Economic Development, the Department of Energy, Mines and Resources, the Department of Finance and the Executive Council Office each provided the committee with a status report to update the committee on progress made since the release of the Auditor General's report. The documents provided by the departments are appended to this report.

The public hearing took place on Wednesday, June 28, 2017. Witnesses appeared in two panels, with officials from the Department of Community Services, the Department of Economic Development, and the Department of Energy, Mines and Resources appearing in the morning and officials from the Department of Finance and the Executive Council Office appearing in a second panel that afternoon. The transcripts of the hearing are appended to this report.

Committee member Wade Istchenko was not available to participate in the public hearing. Brad Cathers served as his substitute for the hearing and related meetings.

Following the public hearing, the committee held meetings June 29, July 11 and August 2, 2017 to prepare its first report.

The Auditor General's report, transcripts of the public hearing and this report may be found on the committee's web page at:
http://www.legassembly.gov.yk.ca/committees/pac.html

The committee would like to thank officials from the Office of the Auditor General of Canada for their assistance in preparing the committee for the hearings and in assisting in the preparation of this report.

The committee would also like to thank the officials from the Department of Community Services, the Department of Economic Development, the Department of Energy, Mines and Resources, the Department of Finance and the Executive Council Office, who appeared as witnesses at the public hearing and provided additional information after the public hearing.

Standing Committee on Public Accounts
34th Yukon Legislative Assembly

First Report

August 2017

Introduction

1. On March 6, 2017 Michael Ferguson, CPA, CA, FCA, the Auditor General of Canada (the Auditor General), issued an audit report entitled, *Report of the Auditor General of Canada to the Yukon Legislative Assembly - 2017: Government Transfers to Societies - Yukon.* In conducting the audit the Auditor General

> ... focused on whether selected departments adequately managed a sample of government transfers to societies according to key legislative, policy, and administrative requirements. The three departments [the Office of the Auditor General] selected were the Department of Community Services; the Department of Economic Development; and the Department of Energy, Mines and Resources. Among the items [the Office of the Auditor General] examined were whether the departments conducted risk assessments, whether they measured the results of government transfers, and whether they confirmed that societies were free of outstanding debts to the government and in compliance with legal reporting requirements. In addition, [the Office of the Auditor General] looked at the monitoring and coordination roles, and related responsibilities, of the Department of Finance and the Executive Council Office.[1]

2. The Auditor General summarized his conclusions as follows:

- Overall, we found inconsistencies in the policies and practices related to government transfers. We found that the policies contained contradictions and undefined concepts, and that departments did not always document the risks associated with government transfers or verify that societies that received transfers complied with their legal reporting requirements. We also found that departments had not fully implemented a results-based approach.
- These findings are important because the consistent application of policy helps departments be more accountable and promotes the equitable treatment of societies. By using systems and practices that support good management of

[1] Auditor General of Canada, *Report of the Auditor General of Canada to the Yukon Legislative Assembly - 2017: Government Transfers to Societies - Yukon*, March 2017, paragraph 10.

government transfers, the government can better assist societies that provide programs and services to Yukon citizens.[2]

3. The Auditor General's report made five recommendations. The departments agreed with all the recommendations.

The Standing Committee on Public Accounts

4. The Standing Committee on Public Accounts of the Yukon Legislative Assembly is established by Standing Order 45(3) of the *Standing Orders of the Yukon Legislative Assembly*. This Standing Order says that: "At the commencement of the first Session of each Legislature a Standing Committee on Public Accounts shall be appointed and the Public Accounts and all Reports of the Auditor General shall stand referred automatically and permanently to the said committee as they become available."[3]

5. On January 12, 2017, the Yukon Legislative Assembly adopted Motion No. 6, which established the current Public Accounts Committee. In addition to appointing members to the committee, the motion stipulated that the committee shall "have the power to call for persons, papers and records and to sit during intersessional periods."

6. In his opening remarks at the public hearing, the Chair described the committee's role in the audit process:

> "The Public Accounts Committee is an all-party committee with a mandate to ensure economy, efficiency and effectiveness in public spending — in other words, accountability for the use of public funds. The purpose of this public hearing is to address issues of the implementation of policies and whether programs are being effectively and efficiently delivered, and not to question the policies of the Government of Yukon. In other words, our task is not to challenge government policy, but to examine its implementation."[4]

7. The committee accepts and endorses the recommendations made by the Auditor General. The committee's report will not repeat in detail information contained in the Auditor General's report. Neither will this report attempt to summarize all the evidence given before the committee at its public hearing, held June 28, 2017. The transcript of the public hearing is appended to this report. Instead, this report will focus on those issues that – in the opinion of the committee – merit further comment.

8. The committee is encouraged by the departments' responses to the Auditor General's observations and their acceptance of the report's recommendations. Based on the written responses to the recommendations, and the evidence provided by witnesses during the public hearings, the committee believes that the departments have seriously considered the Auditor General's recommendations. In some cases actions to deal with the problems identified in the report have already been taken since the release

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[2] Auditor General of Canada, *Report of the Auditor General of Canada to the Yukon Legislative Assembly - 2017: Government Transfers to Societies - Yukon*, March 2017, paragraphs 14-15.

[3] Yukon Legislative Assembly, *Standing Orders of the Yukon Legislative Assembly* (October 30, 2012), page 24.

[4] Yukon Legislative Assembly, Standing Committee on Public Accounts, Public Proceedings: Evidence, June 28, 2017, page 1-1.

of the Auditor General's report. Action continues to be taken to implement the recommendations identified in the report.

9. Nonetheless, the committee believes that certain issues merit further comment.

Silo mentality

10. The committee observed that in response to the Auditor General's recommendations, the departments independently developed new forms and processes to resolve the issues identified in the report.

11. While the committee is encouraged by what Pamela Muir, Acting Deputy Minister of the Executive Council, described as "a new collaborative relationship between ECO and the Department of Finance"[5], there is an opportunity for the departments to further collaborate and standardize systems.

12. Justin Ferby, Deputy Minister of the Department of Economic Development, noted during the hearing:

> I think further work obviously should be done in concert with us implementing the recommendations from the audit to spend some time to look at our different risk assessments, realizing that standardization is useful. In fact, that's one of the recommendations in the audit and that's something we'll definitely put on the work plan to discuss further across the deputy minister table and with colleagues here to ensure that, if some of us have some strong examples of how we're doing it, we can share, and vice versa.[6]

13. Stephen Mills, Deputy Minister of the Department of Energy, Mines and Resources, also stated:

> Without a doubt, I think it is worthwhile looking at some of these matrices with the other departments to try to find ways to come up with a more effective decision matrix and also signal what a decision of high risk means when it comes to how you design the funding structure over a year or how that links to the response of additional reporting that might be required.[7]

14. **Recommendation No. 1:** THAT the departments collaborate in order to standardize systems across the public service; and THAT the departments report to the Standing Committee on Public Accounts what steps have been taken by April 1, 2018.

Corporate evaluation policy

15. The Auditor General's report found that the departments did not fully implement a results-based approach and "the Executive Council Office had not developed a corporate evaluation policy to allow departments to measure results at the program

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[5] Yukon Legislative Assembly, Standing Committee on Public Accounts, Public Proceedings: Evidence, June 28, 2017, page 1-16

[6] Yukon Legislative Assembly, Standing Committee on Public Accounts, Public Proceedings: Evidence, June 28, 2017, page 1-12.

[7] Yukon Legislative Assembly, Standing Committee on Public Accounts, Public Proceedings: Evidence, June 28, 2017, page 1-13.

level."[8] During the public hearing, the Auditor General noted that "An evaluation policy would help departments measure, evaluate and report on performance."[9]

16. Ms. Muir stated at the hearing:

> While ECO certainly supports the concept of evaluation and work has been undertaken on a corporate policy, that policy was never established, for various reasons including capacity and resources...
>
> ECO and Finance have determined that the policy guidance for evaluating government transfers should reside with Finance. Officials will recommend that the government transfers policy be amended to include this. It is expected that this work will be undertaken over the next year or so with a target of finalizing a policy in the fall of 2018 with implementation and training to follow. [10]

17. The committee is concerned by the length of this timeline and apprehensive that the departments may not be properly prioritizing this issue. In response to the Auditor General's report recommendation that a corporate evaluation policy should be created, the Executive Council Office responded "We anticipate that this initiative will be completed by November 2018, subject to how it is prioritized in relation to other initiatives."[11]

18. Katherine White, Deputy Minister of the Department of Finance, noted during the public hearing:

> One of the reasons that it takes so long is that it does take a little bit longer to develop a robust policy and test it than it does to do the initial phases of the work plan that we have indicated.
>
> ...the evaluation policy is rather complex because we are dealing with everything from hosting an event to maybe providing counselling services to folks. The other major project that we have happening in the Department of Finance is the reorganization that will address some of the concerns that have been identified. One of the reasons for the timing delay is also to build and gain support for that reorganization and to ensure government was on board with that plan moving forward.[12]

19. **Recommendation No. 2:** THAT the creation and implementation of a corporate evaluation policy be prioritized and completed by November 1, 2018.

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[8] Auditor General of Canada, *Report of the Auditor General of Canada to the Yukon Legislative Assembly - 2017: Government Transfers to Societies - Yukon*, March 2017, paragraph 75.
[9] Yukon Legislative Assembly, Standing Committee on Public Accounts, Public Proceedings: Evidence, June 28, 2017, page 1-2.
[10] Yukon Legislative Assembly, Standing Committee on Public Accounts, Public Proceedings: Evidence, June 28, 2017, page 1-16.
[11] Auditor General of Canada, *Report of the Auditor General of Canada to the Yukon Legislative Assembly - 2017: Government Transfers to Societies - Yukon*, March 2017, paragraph 84.
[12] Yukon Legislative Assembly, Standing Committee on Public Accounts, Public Proceedings: Evidence, June 28, 2017, page 1-21.

Dividing policies

20. The committee observed that there are multiple types of funding agreements covered under government transfers to societies. There are ongoing annual funding agreements to societies, agreements that are frequently repeated but not an ongoing service delivery, and also one-time transfers to societies. The committee is concerned that a single policy may not serve all three categories of transfers effectively.

21. Ms. White stated at the public hearing:

> You have articulated the challenge in having a corporate policy that applies to small, medium, large and everything in between quite well. We don't envision having departments use standard performance indicators or standard policy as a one-size-fits-all solution.
>
> We hadn't broken it down in exactly the way that has been identified, but certainly the complexity of the transfer payment agreement, which is I think what you were alluding to, with the three categories is something that we will consider in developing that policy and providing additional guidance to departments, because it is not our intention to add more bureaucratic paperwork to ourselves, to our partners in departments or to the societies to benefit from funding and, in turn, provide services or other activities for Yukoners at large.[13]

22. **Recommendation No. 3:** THAT the departments consider creating separate policies for different categories of transfer payment agreements.

Endorsing risk assessments as a tool to better support societies

23. The committee is encouraged by the progress the departments have made in addressing the Auditor General's recommendations regarding risk assessments. The Department of Community Services, the Department of Economic Development, and the Department of Energy Mines and Resources have each committed to "more methodically apply a risk-based approach that is consistent with the 2008 Government Transfers Policy in the Financial Administration Manual."[14]

24. The Auditor General noted during the public hearing that "Effective risk management helps departments know where to focus their attention."[15] The committee urges the departments to incorporate risk assessments as an instrument to better support societies.

25. During the hearing, Mr. Ferbey stated:

> When you start going through the risk matrix and you start looking up, for example, project risk, the kind of dialogues that come up deepen our understanding of what the client is trying to achieve.

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[13] Yukon Legislative Assembly, Standing Committee on Public Accounts, Public Proceedings: Evidence, June 28, 2017, page 1-21.

[14] Auditor General of Canada, *Report of the Auditor General of Canada to the Yukon Legislative Assembly - 2017: Government Transfers to Societies - Yukon*, March 2017, paragraph 62.

[15] Yukon Legislative Assembly, Standing Committee on Public Accounts, Public Proceedings: Evidence, June 28, 2017, page 1-2.

> ...going through the risk assessment allows us to comport ourselves to organize ourselves internally to potentially help clients.
>
> ...the actual risk matrix has improved our efficiencies — really understanding what the clients are trying to achieve and how we can assist in non-financial ways, in addition to if they are seeking financial resources.[16]

26. **Recommendation No. 4:** THAT the departments embrace risk assessments as a tool to help identify weaknesses in projects and better support societies; and THAT the departments report to the Standing Committee on Public Accounts what progress has been made by November 1, 2018.

Responsibilities on societies

27. The Auditor General's report did not examine the burdens placed on societies during the government transfer process, however following the testimony during its public hearing, the committee believes this issue warrants further investigation.

28. Committee members asked witnesses "whether there can be some reduction in the volume of paperwork being placed on those receiving the funding and the amount of staff time within Yukon government that is taken up in ensuring these accountability requirements are met?"[17]

29. Paul Moore, Deputy Minister of Community Services, noted:

> We are well aware that it can be potentially very time-consuming, especially for some of our smaller organizations.[18]

30. The committee observed that the departments appear to be placing some responsibilities on societies that could properly be handled by the public service. For example, "With respect to outstanding debt, transfer payment agreements must have the standard clause from the agreement's template that requires recipients to acknowledge any outstanding debt [to the Yukon government]."[19] The government would appear to be better suited to attesting whether or not a society is indebted to it.

31. **Recommendation No. 5**: THAT the departments make efforts to reduce the burdens placed on societies receiving government transfers; and THAT the departments report to the Standing Committee on Public Accounts what steps have been taken by April 1, 2018.

Conclusion

32. The committee would like to thank officials from the Office of the Auditor General of Canada for their work in compiling the report and for the assistance offered to the committee in preparation for the public hearing.

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[16] Yukon Legislative Assembly, Standing Committee on Public Accounts, Public Proceedings: Evidence, June 28, 2017, page 1-13.
[17] Yukon Legislative Assembly, Standing Committee on Public Accounts, Public Proceedings: Evidence, June 28, 2017, page 1-13.
[18] Yukon Legislative Assembly, Standing Committee on Public Accounts, Public Proceedings: Evidence, June 28, 2017, page 1-7.
[19] Yukon Legislative Assembly, Standing Committee on Public Accounts, Public Proceedings: Evidence, June 28, 2017, page 1-4.

33. The committee would also like to thank the departments for agreeing with, and committing to implement the recommendations in the Auditor General's report.

34. Further, the committee would like to thank the witnesses from the Department of Community Services, the Department of Economic Development, the Department of Energy, Mines and Resources, the Department of Finance and the Executive Council Office who appeared before the committee at the public hearing held on June 28, 2017 and the officials who prepared the written responses submitted to the committee.

35. Finally, the Public Accounts Committee wishes to note that the committee will follow up on the implementation of the recommendations contained in this report and in the Auditor General's report. This follow-up will include a review by the committee in April of 2018 and may also include holding further public hearings.

Summary of Public Accounts Committee Recommendations

Recommendation No. 1: THAT the departments collaborate in order to standardize systems across the public service; and THAT the departments report to the Standing Committee on Public Accounts what steps have been taken by April 1, 2018.

Recommendation No. 2: THAT the creation and implementation of a corporate evaluation policy be prioritized and completed by November 1, 2018.

Recommendation No. 3: THAT the departments consider creating separate policies for different categories of transfer payment agreements.

Recommendation No. 4: THAT the departments embrace risk assessments as a tool to help identify weaknesses in projects and better support societies; and THAT the departments report to the Standing Committee on Public Accounts what progress has been made by November 1, 2018.

Recommendation No. 5: THAT the departments make efforts to reduce the burdens placed on societies receiving government transfers; and THAT the departments report to the Standing Committee on Public Accounts what steps have been taken by April 1, 2018.

Appendices

Transcripts of public hearing June 28, 2017

Documents provided by the departments:

- Department of Community Services
  - Status report (June 12, 2017)
- Department of Economic Development
  - Status report (May 25, 2017)
- Department of Energy Mines and Resources
  - Response to the report of the Auditor General of Canada (June 5, 2017)
- Department of Finance and Executive Council Office
  - Status update and workplan (June 12, 2017)
- Executive Council Office
  - Memorandum re: 2007 internal audit and 2010 follow-up report (August 3, 2017)

Yukon Legislative Assembly

Issue 1 34th Legislature

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Public Proceedings: Evidence

Wednesday, June 28, 2017 — 10:00 a.m.

Chair: Stacey Hassard

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Chair:	Stacey Hassard
Vice-Chair:	Paolo Gallina
Members:	Ted Adel Don Hutton Brad Cathers (substituting for Wade Istchenko) Liz Hanson
Clerk:	Allison Lloyd, Clerk of Committees
Witnesses:	**Office of the Auditor General of Canada** Michael Ferguson, Auditor General Casey Thomas, Principal **Department of Community Services** Paul Moore, Deputy Minister Philippe Mollet, Acting Director of Finance **Department of Energy, Mines and Resources** Stephen Mills, Deputy Minister Cheryl Horoscoe, Manager of Finance **Department of Economic Development** Justin Ferbey, Deputy Minister Rebekah Harrison, Acting Director of Finance and Information Management Stephen Rose, Assistant Deputy Minister, Operations **Executive Council Office** Pamela Muir, Acting Deputy Minister Jeananne Nicloux, Cabinet Policy Analyst **Department of Finance** Kathrine White, Deputy Minister Clarke LaPrairie, Assistant Deputy Minister, Financial Operations and Revenue Services Tina Frisch, Comptroller

EVIDENCE
Whitehorse, Yukon
Wednesday, June 28, 2017

Chair (Mr. Hassard): I will now call to order this hearing of the Standing Committee on Public Accounts of the Yukon Legislative Assembly.

The Public Accounts Committee is established by Standing Order 45(3) of the *Standing Orders of the Yukon Legislative Assembly*. This Standing Order says: "At the commencement of the first Session of each Legislature a Standing Committee on Public Accounts shall be appointed and the Public Accounts and all Reports of the Auditor General shall stand referred automatically and permanently to the said Committee as they become available."

On January 12, 2017, the Yukon Legislative Assembly adopted Motion No. 6 which established the current Public Accounts Committee. In addition to appointing members to the Committee, the motion stipulated that the Committee shall "have the power to call for persons, papers and records and to sit during intersessional periods."

Today, pursuant to Standing Order 45(3) and Motion No. 6, the Committee will investigate the Auditor General of Canada's report, entitled *Report of the Auditor General of Canada to the Yukon Legislative Assembly — 2017: Government Transfers to Societies — Yukon*.

As this report deals with multiple departments, we will have two panels of witnesses appearing today. I would like to thank the witnesses from the departments of Community Services, Energy, Mines and Resources, as well as Economic Development, for appearing this morning. I believe that the deputy ministers will introduce their witnesses during their opening remarks. Also present with us today from the Office of the Auditor General of Canada are: Michael Ferguson, the Auditor General of Canada, and, with him, Casey Thomas, principal.

I will now introduce the members of the Public Accounts Committee. I am Stacey Hassard, the Chair of the Committee as well as Member of the Legislative Assembly for Pelly-Nisutlin.

To my left is Paolo Gallina, who is the Committee's Vice-Chair and the Member for Porter Creek Creek Centre. To his left is Liz Hanson, Member for Whitehorse Centre. To her left is Ted Adel, Member for Copperbelt North, and to his left is Brad Cathers, Member for Lake Laberge, who is substituting during this procession for the Member for Kluane, Wade Istchenko. Behind me is Don Hutton, Member for Mayo-Tatchun.

The Public Accounts Committee is an all-party committee with a mandate to ensure economy, efficiency and effectiveness in public spending — in other words, accountability for the use of public funds.

The purpose of this public hearing is to address issues of the implementation of policies and whether programs are being effectively and efficiently delivered, and not to question the policies of the Government of Yukon. In other words, our task is not to challenge government policy, but to examine its implementation.

The results of our deliberations will be reported back to the Legislative Assembly. To begin the proceedings, Mr. Ferguson will give an opening statement summarizing the findings in the Auditor General's report. The deputy ministers will then be invited to make opening statements on behalf of their departments. Committee members will then ask questions. As is the Committee's practice, the members devise and compile the questions collectively, then divide them up among the members. The questions that each member will ask are not their personal questions on a particular subject, but those of the entire Committee.

This morning's panel will be from 10:00 until noon. We will then recess until 1:30, when the public hearing will resume with a new panel of witnesses from the Executive Council Office and the Department of Finance.

After the hearing, the Committee will prepare a report of its proceedings, including any recommendations that the Committee wishes to make. This report will be tabled in the Legislative Assembly.

Before we start the hearing, I would ask that questions and answers be kept brief and to the point so that we may deal with as many issues as possible in the time allotted for this hearing. I would also ask that Committee members, witnesses and officials from the Office of the Auditor General wait until they are recognized by the Chair before speaking. This will keep the discussion more orderly and allow those listening on the radio or over the Internet to know who is speaking.

We will proceed now with Mr. Ferguson's opening statement.

Mr. Ferguson: I am pleased to be in Whitehorse today to discuss a report on government transfers to societies in Yukon. This report was tabled on March 6 of this year in the Yukon Legislative Assembly. Joining me today is Casey Thomas, the principal responsible for the audit.

This audit focused on whether selected departments managed a sample of government transfers to societies according to key legislative policy and administrative requirements. The government uses transfers to societies to fund a wide range of services and programs for Yukon citizens in areas such as mental health, athletics and community facilities. In the 2014-15 fiscal year, the government provided about $40 million to about 300 of the 730 active societies registered in Yukon.

When transferring funds to societies, departments must follow two policies; however, we found that the two policies failed to define some basic concepts and contained some contradictions. In our opinion, this could result in inconsistent funding decisions and the inequitable treatment of societies that request funding.

For example, although both policies allow the government to provide operational funds to societies, the activities that qualify for funding are different under each policy. One policy allows operational funds to pay for expenses such as rent or employee salaries, and the other doesn't.

We also found that departments didn't always comply with the requirements of the policies for providing government funds to societies, including instances where departments should have issued contracts for services instead of providing government transfers. These arrangements are subject to different requirements to maintain fairness and accountability for public funds. For example, when the government receives goods or services in return for resources, it must classify the agreement as a goods and services contract rather than as a government transfer. In eight of the 53 transfers that we looked at, the government received a direct benefit from the funding it provided to societies. For example, one society received $5,000 to install signs and perform maintenance on government-owned swimming pools.

Effective risk management helps departments know where to focus their attention. We found that for about 60 percent of the transfers we looked at, departmental officials had not documented the risk assessments. The government provides transfers to societies to help them reach specific goals. It's important for departments to know whether the money was spent to help reach these goals. We found that the Department of Economic Development and the Department of Energy, Mines and Resources assessed whether societies had reached their intended goals. The Department of Community Services didn't always do so.

An evaluation policy would help departments measure, evaluate and report on performance. However, we found that the Executive Council Office had not developed a corporate evaluation policy.

Addressing the issues raised in our audit will allow the government to improve its management of government transfers to societies that support services and programs for the citizens of Yukon. Mr. Chair, this concludes my opening statement. We would be happy to answer any questions the committee may have.

Mr. Moore: Good morning, Mr. Chair and members of the Committee. My name is Paul Moore and I'm the deputy minister of the Department of Community Services. With me here this morning is Mr. Philippe Mollet, who is currently the acting director of Finance for our department.

Thank you very much for inviting me here today to provide an update on the progress that the Department of Community Services is making on the March 2017 report of the Auditor General of Canada on government transfers to societies. We will get into more details, and we are very pleased to report to you today that our department has met its commitments and addressed the recommendations contained in the report.

I would like to begin this morning by giving you a very high-level overview of the department's programs and service areas and then move on to describe how the department has been working to meet these commitments and address the recommendations identified in the report.

The three main service areas in our department are housed in the divisions of Protective Services, Corporate Policy and Consumer Affairs, and Community Development. The Protective Services division is responsible for emergency management coordination, first response, and public safety agencies. This division includes Yukon Emergency Medical Services, the Fire Marshal's Office, Emergency Measures Organization, Wildland Fire Management, and Building Safety and Standards. The Protective Services division strengthens the territory's ability to respond to emergencies and coordinate prevention activities.

Our Corporate Policy and Consumer Affairs division enforces employment standards and residential tenancy laws, registers business and non-profit organizations, registers securities and personal property securities. Other branches in the Corporate Policy and Consumer Affairs division provide Yukon taxing authorities with property assessment, regulate health professions, insurance, real estate professionals and charitable gaming.

The third division, our Community Development division, includes our branches of Community Affairs, Community Operations, Infrastructure Development, Land Development, Yukon Public Libraries, and the Sport and Recreation branch. This division provides and supports local governments and creates collaborative relationships with communities by providing access to safe drinking water, maintaining waste-water and solid-waste facilities, and managing the construction of community-based infrastructure projects. This division also supports Sport and Recreation and active living opportunities and oversees the 15 community libraries across the territory.

I would like to now move on to the report itself and how Community Services is working to address the recommendations contained in the report. The report identified that the Yukon government departments did not always comply with key policy requirements. Community Services has addressed this issue in the following manner.

The department has created a reference checklist document that program officers across the department now must use when generating transfer payment agreements. As part of this checklist, program officers must also now categorize the terms of the payments into low, medium or high risk as a tangible systematic means of capturing the funding needs of the recipient. As of April 1, 2017, Community Services program officers must now save a copy of the certificate from the Yukon corporate online registry system to demonstrate that a society is in compliance with the *Societies Act*.

The department has also developed instructions for program officers that are on a shared internal website designed to assist with financial, contracting and administrative operations and protocols. It includes standardized templates and forms, and provides staff with a consistent resource when creating and administering transfer payment agreements.

To address any outstanding debt that may be owed to the Yukon government, the department has modified its templates to include a clause that the recipient must provide written documentation that identifies they are debt-free before they receive the first payment. The department also works with the

Department of Finance related to payments due from societies.

Community Services has also created a decision tree to assist program officers to identify whether or not a government transfer should be used versus a contract. As well, our Finance branch has held a number of strategic procurement sessions throughout the department to further educate staff on these changes and requirements going forward. We have more training sessions scheduled throughout the 2017-18 year.

The report also identified that Yukon government departments did not consistently use a risk-based approach to managing government transfers. In order to address this, the Department of Community Services has developed a risk-assessment matrix as part of the transfer payment agreements checklist. The matrix means that program officers are now analyzing and documenting the assessed risk for funding levels.

They must consider the following criteria when assessing a recipient: credibility and track record; size, capacity and sophistication; community support; skills, experience and expertise in achieving goals; project management skills; accounting and record-keeping skills; and any other foreseeable constraints.

Once the risk matrix is completed, the program officer is then directed to the appropriate template to use, based on whether the program is considered low, or medium to high risk. The document is then filled out by the officer and then is signed off by two other public officers, including their supervisor.

The final finding in the report related to our department identified that we did not fully implement a results-based approach to determine whether the objectives of government transfers had been met.

Currently, Community Services is analyzing the department's transfers and working on creating a systematic review process to determine whether these goals and objectives have been met for these funding agreements. To do this, the department is developing a form for program officers, again, to document and assess whether or not these objective were met, based on mandates and other goals the department has.

The department includes identifying goals up front and then linking to government mandate goals for the purpose of funding prior to creating the agreement. The department is also analyzing all transfers and working to create a systematic review process and this process will be in place for evaluations conducted in 2018.

In conclusion, the Department of Community Services has worked hard in a short period of time to develop guidelines and support for program officers to ensure an appropriate, consistent and fair approach is used when developing transfer payment agreements without outside agencies. This approach recognizes our department's desire to support the important role societies play in the territory, with improved accountability and a more methodically applied risk-based systematic approach. This approach will include consistent documentation and the completion of the routine evaluations as part of the agreement's final deliverables. Thank you very much, Mr. Chair.

Mr. Ferbey: I am Justin Ferbey, the deputy minister of Economic Development of the Government of Yukon. Today, I am joined by our acting director of Finance, Rebekah Harrison, and our assistant deputy minister, Mr. Stephen Rose. I am here today to present my testimony on an audit performed by the Office of the Auditor General last year on government transfers to Yukon societies.

The Department of Economic Development's mandate is to develop a diverse, sustainable and competitive economy to enrich the quality of life of all Yukoners, to pursue economic initiatives with a shared vision of prosperity, partnerships and innovation and to forge partnerships with First Nations in the development of the Yukon Territory's economy.

Our department is organized to provide and services to Yukon businesses and residents. The services are delivered to the public through the Business and Industry Development branch, the Regional Economic Development branch, the Technology and Telecommunications Development Directorate and the Yukon Media Development unit with support of our Corporate Services branch.

The department provides advisory services to small businesses, collaborates with industry on investment attraction initiatives and supports industry-driven training and marketing events. We provide economic research analysis to inform decision-making and assist clients to access government programs and services.

The audit report recognized the good work being done within the Department of Economic Development on monitoring of transfer payments and we are pleased the Auditor General recognized this work. The Auditor General also made recommendations in the report where departmental processes be enhanced and standardized, which we acknowledge and accept.

The recommendations for Economic Development focused on risk assessment and included verifying societies as compliant with legal reporting requirements and documenting and applying a consistent risk-based approach in assessment of funding requests and implementation of agreements. Before the audit was complete, the Department of Economic Development had already come into compliance with the recommendations to ensure societies meet their legal requirements for reporting and do not have outstanding debts to the government.

At the time the audit was performed, the Department of Economic Development also had an existing risk-assessment process in place. However, the Auditor General indicated these processes needed to be enhanced and applied consistently. We have taken the necessary steps required to meet those recommendations.

In response to the audit report, the department formed an audit recommendation implementation committee to revise procedures and meet the Auditor General's recommendations by April 1, 2017. The following documents were implemented across the department to be used in all program areas in line

with the April 1 deadline. First: a risk assessment matrix which is used to assess and score project and recipient risk and determine an appropriate action plan. Second: transfer payment agreements and addendum process checklist for program areas. Third: a transfer payment agreement review checklist for the Finance branch. Fourth: all the documents are completed and kept on file with the transfer payment agreements. Finally, fifth: the department has also introduced a transfer payment agreement checklist and reference guide for the information of all department employees for inclusion in the relevant desk manuals.

Program areas work closely with the Finance and Information Management unit when assessing projects and drafting transfer payment agreements to apply appropriate monitoring, reporting and payment schedule parameters. Enhancements implemented by the department reflect improvements to internal processes. These improvements ensure that we maintain a consistent approach and level of documentation for each transfer payment. These efforts complement government policies already in place that provide extensive coverage and internal controls throughout the transfer payment process to ensure that all transfers are legitimate. The Department of Economic Development is committed to ensuring accountability and value for money throughout its transfer payment process.

We appreciate the feedback provided by the Auditor General and the opportunity to improve our processes and service delivery as a result. Thank you.

Mr. Mills: Good Morning, Mr. Chair, and members of the Committee. I am Stephen Mills, the deputy minister of Energy, Mines and Resources. With me is Cheryl Horoscoe, who is manager of Finance.

Thank you for the opportunity to address the Standing Committee on Public Accounts regarding the Auditor General of Canada's report on government transfers. We welcome the information contained within this audit report, and we value the candid advice that comes from going through this kind of audit.

Transfer payment agreements continue to be an important tool for many branches of our department and so the proper execution of these agreements is an ongoing priority. Since the report was shared with our department last fall, we have taken action to address all of the recommendations identified for Energy, Mines and Resources.

More specifically, we have acted on the following.

Regarding the approval of core versus operational funding, Energy, Mines and Resources will continue to follow the newer 2008 government transfer policy until a policy issue is resolved. I understand my colleagues from the Department of Finance and Executive Council Office will speak to this.

With regard to the issue of legal reporting requirements, Energy, Mines and Resources now requires that multi-year agreements have an annual verification from the registrar of societies. With respect to outstanding debt, transfer payment agreements must have the standard clause from the agreement's template that requires recipients to acknowledge any outstanding debt. If warranted from the assessment of the risk analysis, staff can check with the Department of Finance on a case-by-case basis to identify debt to Yukon government.

The auditor identified the use of contracts versus transfers as a deficiency, and so Energy, Mines and Resources has moved to educate program staff in this area, and additional scrutiny on draft agreements is being coordinated by departmental Finance branch staff. Energy, Mines and Resources did not have an adequate risk-assessment process in place, so completion of a risk form is now mandatory and includes two signatures from the program area staff.

Finally, Energy, Mines and Resources has updated a comprehensive checklist that is used to guide staff through the agreement creation and approval process.

In some areas there was a complete or partial lack of procedure, which meant that there was no guidance available for staff. This required putting in place additional processes to address the recommendations. In addition, there were some areas in which existing processes and procedures needed additional clarification for staff, and this has been done.

Mr. Chair, it is important to see audits as an opportunity for improvement. We found this report to be a useful tool in improving our internal operations. The Department of Energy, Mines and Resources has addressed each recommendation in the report and has implemented improvements that address the issues that arose in the audit.

Thank you, Mr. Chair and Committee members. We very much appreciate being able to participate in this process.

Chair: Thank you, Mr. Mills. We will proceed at this time with questions. I have the first set of questions, and my first couple of questions are for the Auditor General.

Could the Auditor General please explain how the Office of the Auditor General of Canada selected government transfers to societies as a matter for evaluation?

Mr. Ferguson: In the course of our process for selecting audit topics, what we do is look at the various risks that face the departments. We take into account a number of things — what we have audited in the past, what programs are being delivered — and we look at the risks that are faced in those programs. We also look at what departments we have audited lately to try to not keep auditing the same department over and over again.

In this case, we felt that, given that there had been things like an internal audit done in 2007, there were a couple of different policies in place and, through our conversations in assessing the risks, we felt that there could be some issues related to the transfer payments, so we decided to do that as an audit. It was a smaller audit, perhaps, than some audits we have done before, and that's why we were able to do that audit along with the other audit we did on the capital assets at the same time.

Chair: Thank you. The audit did not examine transfers to municipalities, First Nations or Government of Yukon organizations. Why were these not examined? Are there plans to audit these transfers in the future?

Mr. Ferguson: Again, when we are planning an audit, we have to establish a scope of what we're going to look at in the course of that audit to be able to deliver it within a

reasonable time frame. I think, in this case, this audit touched on, I guess, five different government organizations. That in itself causes some complexity in doing an audit, so we needed to keep the scope of the audit restricted so that we could deliver it within a reasonable time frame. Therefore, we decided to focus on the transfers to societies. Right now, we don't have any plans to look at transfers to any other types of organizations, but that's something that we will consider in our future planning.

Chair: So the OAG found that the departments did not always comply with key policy requirements. Paragraph 50 says: "In 2011, the Mountain View Golf Club received a $750,000 payment through an agreement from the Government of Yukon. This payment was originally classified as a government transfer. At the end of the 2010-11 fiscal year, the payment was reclassified as an 'other expense.'" The OAG could not determine which policy requirements were met for this transaction, so these questions would be for Community Services. Could you please tell us who made the decision to make this payment, and where did the idea for this payment originate?

Mr. Moore: The decision to make the payment was made by the previous government. At the time, the deputy minister was Mr. Jeff O'Farrell. The documentation that I have seen indicates that the decision was made around providing important elements and additions to the Whistle Bend land development, which was currently being discussed. Specifically, that related to storm water management and what has now become the bioswale that takes storm water out of that area. There was a notion that, as the development phases all happened, there would be future possibility for approximately up to 200 lots in that area. As well, the City of Whitehorse master plan included a perimeter trail that was to be constructed by Community Services around the entire subdivision. That trail actually goes through that land.

Chair: What policy requirements were supposed to be met by this transaction?

Mr. Moore: Those were the policy requirements at the time. We were undertaking the design of that project. It was recognized that the addition of that land would assist to meet those objectives and add value to that whole subdivision as a whole.

Chair: Thank you. My final question in this round would be: Under what authority was the money paid out?

Mr. Moore: The document was actually signed off by the branch and then signed off by the director of Finance for Community Services.

Of course, that's per chapter 5.5 of the *Financial Administration Manual*. Section 29 was signed off by the branch, the performance authority, and section 30 by the director. That's per our delegated authority, which derives ultimately from the minister at the time.

Ms. Hanson: Mr. Moore, I hear and understand what you've just said there, and I understand that you're reading from prepared statements, but what you are saying contradicts what was actually on record in this Legislative Assembly and on record with respect to the exchange of documents within Community Services and EMR. I think the question was: Where did the idea for this payment originate? I'm not quite sure that corresponds to what you've just said there.

Mr. Moore: When I go back through my records, there absolutely was some discussion about the golf course and the golf course's financial situation. Where I picked it up and where I was talking about was around the program needs and where we at Community Services got involved to meet those requirements for the golf course. In terms of the discussions that the Committee member is referring to — Ms. Hanson — I know that there were a number of e-mails. I've seen some of those e-mails with respect to how the golf course was looking for some financial assistance at the time as well, and then the program area was working on this development and what program requirements could be met — was what I was referencing.

Ms. Hanson: Was it a decision of Energy, Mines and Resources or Community Services to change it to "other expense"?

Mr. Moore: My understanding — and also looking into this — was that it was actually a Department of Finance change. Certainly, Community Services classified it as a TPA — a transfer payment agreement — and that absolutely was in error, which has been fully acknowledged.

When that made it through to the Department of Finance — and perhaps my colleague, the deputy minister of Finance can speak to that more specifically — they noted that this was the error and moved it to the other category.

Mr. Gallina: Thank you, Mr. Chair. The report recommends in paragraph 51, that "The Department of Community Services and the Department of Energy, Mines and Resources should comply with policy requirements for government transfers, including verifying a society's compliance with its legal reporting requirements, determining that a society does not have any outstanding debts to the government, and determining when to use a government transfer instead of a goods and services contract."

I have a few questions around that. What has Community Services and EMR done to comply with policy requirements for government transfers? I know you have spoken to that a little bit, but could you please elaborate?

Mr. Moore: Yes, I alluded to some of that and, more specifically, we are very much following chapter 5.9 of the *Financial Administration Manual* related to government transfers. We've created a SharePoint site that really will take our program officers now through a very systematic approach to how we comply with those. That includes standardized templates, forms and processes. As well, we have actually required further signatories so it will actually be going up the ladder and getting checked off by multiple people before these things are finalized and sent out.

We are actually, ideally, creating a more systematic approach so that every time is more consistent, and also having more eyes on each document before it goes out to make sure we're following that process.

I would also add — although I did allude to that — that we have had some very successful training and we intend to

continue that to make sure all of our program officers are aware of these new changes.

Mr. Gallina: Mr. Mills, did you want to comment?

Mr. Mills: In October 2016, our Energy, Mines and Resources' Finance started to request that, when government transfer agreements are created in the commitment system, also it is saved with documentation showing that the society is in compliance with legal reporting requirements. We also noted that, at times, we have multi-year funding agreements, so we realized there might be a slight issue on it year by year, so we require and go out and seek that confirmation every year. On a three-year agreement, we'll ensure that every year the legal reporting requirement is met.

We have instituted a process to ensure the fundee does not owe outstanding debts to the Government of Yukon.

Energy, Mines and Resources has also reviewed the process on how to determine whether to use the government transfer contract and provided presentations to administration management staff, and we have been running specific sessions through our branch on a number of cases to ensure that all staff are aware of these requirements.

Mr. Gallina: Mr. Mills, further on understanding if a society has outstanding debts — what are the processes? Is there a central repository where EMR could contact Finance or another location to determine this, or is EMR reaching out to multiple departments?

Mr. Mills: Mr. Chair, when agreements are created in the commitment system, Energy, Mines and Resources' Finance now requires a copy of the certificate from the Yukon corporate online registry. That shows that the society is in compliance with the *Societies Act*. It is attached to the agreement and it verifies that the society's status is current.

Mr. Adel: Mr. Moore, on question 6 that Mr. Gallina just asked you, you have talked about adding extra layers in the policy. Do you have timelines to move these along in an appropriate manner? Having been involved in committees, and so on, that can drag on the more layers we add, are there timelines attached to this — service standards?

Mr. Moore: We do have a number of service standards for various things that we do. Generally we try to turn around any of our interactions that we have with the general public, with societies, around two weeks in terms of reviewing bylaws and reviewing their financial statements that would be of importance to this. We generally try for two weeks. That is our timeline when we're interacting with them.

Internally, sometimes developing these transfer agreements can take more time, and we are absolutely trying to find that balance between supporting societies and the work that they do, but adding these new layers, which obviously do add time. We are hoping to do that by, specifically — mechanizing is the wrong word, but having a more systemic approach. We created a SharePoint website, which we are very pleased with. It was actually recognized recently as a nomination for a premier's award. It actually is a very — you hit a link and you go to this page and you go to this page. Through that automation, we're hoping that we won't lose time in our response to societies, but we will still hit all those important phases to make sure we have addressed the comments that were made in this report.

Mr. Adel: Mr. Moore, I have one more question on that. Will the societies be able to check in on this website to see where their process is at? One of the things we often find is that you put something in and you get no feedback. Is feedback available through this website or portal that they can find?

Mr. Moore: Not currently. The SharePoint site is an internal website for our staff to process these requests. As part of the online corporate registry, we just had phase 1, which is for businesses. The next phase will actually allow non-profit societies to access information. It wouldn't necessarily be related to these agreements, but it would be related to processing some of the other things that I just referenced, including bylaw reviews, the status of their standing and those types of things. So we are working at becoming more publicly available with that information. The work around these TPAs themselves and assessments — I think that would be a more internal process around making sure that we have hit all those boxes.

Mr. Adel: I appreciate that, Mr. Moore. All I was asking is: How do we keep the societies a little bit more informed? Is there any mechanism that we're going to put forward that can at least give them a timeline?

Mr. Moore: I don't have a specific answer for that at this point in time. We certainly try to work as closely as we can with them and do so. Program officers are in constant contact with them. As an idea, perhaps as we work toward that online registry, there may be a way we can actually include some status updates around actual agreements themselves. I haven't looked into that, but it may be something we can take from this and ask those questions.

Mr. Gallina: Has there been clarification between goods and service contracts and government transfers? If so, can you please elaborate on the differences of the two?

Mr. Moore: Absolutely. We have created a decision tree on our SharePoint site, and this goes very specifically to that kind of decision-making process that I was referencing. We actually have a number of questions that we expect our program officers to ask and answer. They would be working with the society to understand what the program objectives are and the nature of who they are working with. It goes through that checklist.

I can specifically give you some specifics about what some of those questions are, but basically it comes down to — there are questions like: Is it for profit? What are the end results? Are we gaining something as a government? Those are the types of questions. Are they providing a service for us on our behalf?

We go through that checklist and then, depending on the result, it actually pushes you toward the TPA or nudges you toward a contract. We are trying to make sure that we have standardized those decisions.

Mr. Gallina: In standardizing these processes — and I am hearing about the improvements — what considerations were made when these improvements were being put together

or rolled out? What considerations were being made for the end-user in actually being able to access funds and making their lives potentially easier?

Mr. Moore: Certainly timeliness is absolutely a key factor here, but also reporting. That is something that we have heard very clearly, and I think we will get into some more of that later — the whole evaluation piece and how significant that is. We are well aware that it can be potentially very time-consuming, especially for some of our smaller organizations. As we are going through that, putting things out front — understanding what the deliverables are and how they relate to mandates — so that, when we come to evaluations at the end, that is not as challenging for recipients to provide that kind of detail. We are also trying to look at understanding risk better. For a larger organization, perhaps it is easier for them to manage some of the reporting requirements. For smaller organizations with a smaller amount of funding, whatever those thresholds will or can be, we actually have a risk matrix that helps us identify where we are at — whether it's low, medium or high risk. If it's a low-risk, smaller organization and a smaller amount of money, in some of that reporting the up-front details are reduced to make sure that we are not imposing undue hardship on organizations that are actually — oftentimes, as we all know — working very hard to deliver things that are valuable to all of us. We are trying to find that balance between what we need to meet these requirements and also make sure that it is not too onerous on these organizations.

Mr. Gallina: I know that we have touched on this, but is there now a policy in place for all departments to ensure that the societies are in good standing prior to receiving government funds? When was that completed?

Mr. Moore: As of April 1, 2017, it is now a requirement for our program officers to save a file of the certificate, and they get that from the Yukon corporate online registry showing that they are in compliance with the *Societies Act*.

Mr. Gallina: Is there a cross-department checklist used to see whether complementary funding is available? How do the departments make sure a society is made aware of all resources available to them?

Mr. Moore: There is no formal cross-department checklist. Program officers, if they are doing their job, will be working very — and I think that they do — closely to understand the recipient's requirements and directing them to further opportunities. We all know things that are out there — community development fund, lotteries, et cetera. There is no formal checklist, but we do, for both purposes, try to make sure that they are aware of all the opportunities. We also want to understand what pots of money an organization might be drawing from to deliver their programs. Sometimes we need to do that because, if they don't get something out of one pot, the money they get out of another pot won't be enough to deliver the objective they are trying to get. We do need to understand that, and we work with recipients on a case-by-case basis to understand that picture, but no formal, documented checklist exists at this point.

Ms. Hanson: Just as a follow-up to that, Mr. Ferbey, it seems to me that the two departments that would be most closely aligned in this field would be Community Services and Economic Development. Does your department, Economic Development — what link do you have with Community Services because of the societies or organizations that may be caught in one policy pot and not in another?

Mr. Ferbey: Mr. Chair, in the department we do have a spreadsheet that's available to all the staff — and it is updated weekly — that provides all our funding areas and all of the funding agreements we have in the works. With that, we also go out to ensure that there is other funding available that we would try to leverage. With Community Services, we have spoken with Community Services on some of the projects. Largely, with any of the projects that we see potentially could have, for example, infrastructure funding, we would actively talk at the deputy minister level and at the program level to see if we could access those funds.

For our clients, we would do that service — always look internally, given our budgets are relatively modest, to see if we could leverage on behalf of clients and discuss at the departmental level, so there would be ongoing verbal dialogue if we see a project that could potentially access multiple funds, realizing that, in a lot of the areas, you can't necessarily stack territorial dollars or federal dollars, but we would also look into those terms of reference to see if it's something we could talk to our clients about.

Mr. Moore: If I could, I would also add — for example, with the community development fund evaluation process — members from many departments — but certainly Community Services — would actively participate in the analysis and recommendations on that so there are eyes from different departments on all those funding requests to make sure — are there other opportunities, where are they looking, what else can we build on — trying to find those ways to assist and understand the program needs.

We have multi-departmental committees that work together on many of these established pots, like the community development fund.

Ms. Hanson: I'll move on. There are some specific questions with respect to Community Services. What we try to do is focus on the responses that are made by the departments to the recommendations from the Auditor General.

The deputy has touched on these already, but we will want to have them on the record. The recommendation said that it will better comply with policy requirements related to government transfers by ensuring that documentation is saved in the agreement file demonstrating the society's compliance with the *Societies Act*, including a statement from the society that there are no outstanding debts to the Government of Yukon, and developing guidelines and offering training sessions on how to decide whether to use a government transfer or a contract.

The first question is: Is documentation now being saved in all agreement files demonstrating a society's compliance with the *Societies Act*?

Mr. Moore: It has been a long-standing practice of Community Services to check the corporate registry prior to entering into an agreement with recipients. However, as noted, as accepted, the documentation wasn't there. It was done visually; we did the check and the documentation wasn't there. As of April 1, 2017, as I noted, it's now a requirement to save a copy showing that they're in full compliance with the *Societies Act* in the agreement file. That's a requirement. As you go through that form, it is noted upfront that has to be done before you can move on to the next step.

Ms. Hanson: Was that accomplished by revising the application form for the funding programs, or was a clause added into the agreements attesting to the fact that they are in compliance?

Mr. Moore: They attest to the fact that they're in compliance and it's also part of the form we actually go through as we're analyzing and working through approval of an agreement.

Ms. Hanson: Could you please outline the elements of the guidelines available to staff on how to decide whether they should be using a government transfer or a contract? What would be the things that would lead them to make that decision or make that recommendation?

Mr. Moore: I actually have a screenshot here of the document, and I'll just read. They would click down to this — use a TPA, transfer payment agreement, in the following circumstances: transfer funds to recipient from a funding program, which may be application-based; transfer funds to recipient, which is generally a non-profit organization in which we are contributing to expenditures and such contributions are reasonable. There is no direct exchange of goods or services, as in YG doesn't receive anything. YG is contributing to a venture with identifiable, direct, relevant opportunity, and with no indirect costs or overhead. I think the non-profit has its own capacity to manage the project and will not contract out a significant part of the project to a third party. Examples of TPAs that we provide are sporting games funding, funding programs such as gas tax, Yukon recreation assistance grants, operational funding such as community libraries funding or recycling depot funding. Those are a few things around how they would make that decision about TPAs.

With respect to a contract, we would use that — they are generally for a profit that we're working with, as opposed to a non-profit organization. YG receives value for money spent. YG receives value for goods and services in exchange for money — provided even if the transaction may benefit a contracting third party, and so even if they are subbed, going out and getting a contract with somebody else — YG directly receives goods or services, there's a quote or a proposal needed. Examples are: tangible goods for Yukon government studies or reports, project management, advertising, projects that display the YG logo — and it carries on with some other details.

Ms. Hanson: Just as a follow-up to that — when you say that Yukon government doesn't receive anything, I can understand that if it's material only, but if you are in a transfer payment arrangement with a society that operates a community library, it has a government logo and has everything except that it's not a government entity. It's not a contract — or is that a TPA?

Mr. Moore: That would be a TPA. We use a TPA there. It fits in because it's a recipient that's a non-profit organization. These are independent boards. There is no direct exchange of goods or services.

Ms. Hanson: I don't want to be argumentative, but you are exchanging — in the sense that you're giving those societies exactly the same books and the expectation. As a citizen, I'm going at that from the point of view — and when we're talking about funding to societies — we're talking about what we're doing to provide services or assistance to societies to assist the community.

In a community where there is no access to a public library, except through a community library, why would we continue the arrangement to have it as a contribution to a society as opposed to a contractual arrangement that makes it clear that they're doing this on contract, to provide a service that the Government of Yukon does provide in the City of Whitehorse?

Mr. Moore: Clearly you can see why it is important to have this decision-making tree because there are many decision points. I think on the balance of scale, the fact they are non-profit — there is no profit-taking here — and they are delivering a service on behalf of the Yukon government that in general — this isn't something that the Auditor General noted as a challenge — that we are following those rules very clearly and that the best way, according to our transfer payment policy and FAM, is through a transfer payment agreement.

Ms. Hanson: The crux of the question was how you make the decision between using a government transfer payment and a contract. I have just outlined an example where, in fact, they are delivering a service that is a Government of Yukon service everywhere else, except in the communities.

Mr. Moore: Perhaps I'm not understanding. While they are direct employees in the City of Whitehorse — while the public librarians are direct employees here, we are still supporting them as part of our library system. That is part of our government — part of Community Services' role to do. So it is on behalf of us, as a department and as a government, that they are doing that work and as a non-profit. Going through that checklist that we have, that is seen as the best way to fund those at this point in time.

I'm sorry — perhaps it is a bit challenging to go through this list here without actually seeing this in front of you. I'm sorry if I read it fairly quickly, but given that list of checklist items, when we look at the contract that is generally for profit, we would go out for a tender, for example — a competitive process — which of course we wouldn't do here. We would receive direct goods and services — and I understand that is part of the point you're making — is that we are getting the service of libraries in the communities, but that is one of the items that we would have a quote or proposal — that sort of

thing. So given those two lists that are laid out in policy, it best fits under the transfer payment agreement list.

Ms. Hanson: It just seems archaic, Mr. Chair. It doesn't make sense.

Mr. Adel: The Department of Energy, Mines and Resources responded to the OAG's recommendation by saying — quote: "... will request that when a government transfer agreement is created in the commitment system, it is saved with documentation showing that the society is in compliance with legal reporting requirements and that it does not owe outstanding debts to the Government of Yukon. The Department will also review the process on how to decide whether to use a government transfer or contract."

The questions I have are for the Department of Energy, Mines and Resources. What measures has EMR taken to comply with policy requirements related to government transfers? I will qualify this — I understand, Mr. Mills, you covered some of this in your opening statements, but bear with me as we go through some of these, please.

Mr. Mills: In October 2016, we started to request that when a government transfer agreement is created in the commitment system that it is saved with documentation showing that the society is in compliance with legal reporting requirements and that it does not owe outstanding debts to the Government of Yukon. For larger agreements, we also have an enhanced role, where our manager of financial operations is involved in reviewing draft versions before they sign and process in the commitment system. All agreements are reviewed by EMR Finance staff before being committed in the finance system.

A system assessment workshop was also created — or sorry, a risk assessment workshop is also done and is required to be completed, signed and attached for all agreements. An agreement checklist is being used as well in our department. So our risk assessment worksheet, which we did attach to the document that we provided you, gives us an opportunity to look at a number of factors. It guides us on the potential flow of funds to the potential recipients. There are enhanced reporting requirements.

So it does guide us on past practice or lack of maybe history or knowledge of those individuals or those organizations. So it helps us to understand when we may have to have some enhanced reporting requirements — maybe control the funding flows a bit more carefully, dealing with holdbacks and so on. So we have had practices in the past where we have applied that. But we have brought about a stricter risk assessment process, as well as very much tightened our internal procedures as we proceed or as we consider the appropriate funding mechanism.

Mr. Adel: Has EMR reviewed the process on how it decided whether to use a government transfer or contract? What has changed since this review?

Mr. Mills: We have reviewed the process. The auditor's review covered off four funding agreements to non-profits. Three were to the same organization, one to another organization. The one organization that ended up having three — being reviewed on the three different funding mechanisms was the Klondike Placer Miners' Association.

We have looked at what is the appropriate mechanism. We note that, with regard to the 2008 government transfer policy, we do have to look at this issue about whether government is acquiring goods, services or an asset directly in return for resources. I also note that it states that we also need to know if it requires goods and services as a by-product. So in these cases, we are very much looking at what is the appropriate funding mechanism.

I think, Mr. Chair, as the other members pointed out, there is a — I think there remains a grey area between the TPA and a contract. I would note that even in some of our funding mechanisms, we have a small number that — we fund non-profit groups.

Most of our TPAs are related to the Yukon mineral exploration program or through energy programs and others. Those are large funding agreements, but those are for-profits. Those are in the hundreds or the 100 to 200 range, as a guesstimate.

With regard to these six, we do have to look at that because, for example, our funding to the Yukon Wood Products Association, the Yukon Agricultural Association and the Growers of Organic Food Yukon — they provide a real service to their membership. At the point here when we were looking at the audit, at times, they are also providing policy review of new policies on the government. I just point that out — that is something we need to look at a bit further, because the initial funding packages are very much about their organization working with their membership, but we do need to look at some of these additional potential add-ons that occur, whether it's right to be an amendment to a TPA or whether it's a contract for services.

We have very much improved our processes, but there are some grey areas, I think, even with Community Services and Finance, where we do need to work further to identify what is the most appropriate mechanism to flow funding, and especially additional funding.

Sorry for the length of the answer, Mr. Chair.

Chair: Fine, thank you.

Mr. Adel: I'll make this a short question, Mr. Mills. Do you have a timeline on completing this type of review and working in the grey areas?

Mr. Mills: Thank you for the question. Mr. Chair, we have not set a firm timeline, but I appreciate the question. I think the onus is on us to set a clear timeline to do this and include working with the other departments so that there's consistency across government.

Mr. Adel: How do staff now make a decision on whether to use a government transfer or a contract?

Mr. Mills: Currently, we review the draft agreements. This includes examining if the work described is best handled as a contract. As I mentioned before, what's in the 2008 policy regarding acquiring goods and services or an asset directly, or as a by-product — that is part of our discussions. Additional training has been provided to staff to provide clarity on this issue. Starting in October 2016, we have had

briefings with those involved in this work in our department on the differences, and the use of contracts versus transfer payment agreements was discussed. Our Finance staff — in particular, the manager of financial operations — also reviews all the agreements and identifies the program areas those that should be utilized either through a contract or a TPA.

Mr. Cathers: Thank you, first of all, to all the witnesses for appearing here this morning. A few of the questions I had have actually been answered, so I will drop those.

I would like to begin with a question for Community Services. Community Services, I understand, has implemented a risk assessment with an overall score for project risk and, I believe, as well, recipient risk. I understand that you have scored that high, medium and low. Can you elaborate a little bit on how you reached that determination and what some of the key factors are in making that assessment?

Mr. Moore: I mentioned a few things already about the size capacity of the organization itself. Our document itself begins with looking at determining first of all whether it's operational or project funding. Of course, that was also something that was identified and we are working on distinguishing between those two and making sure that we are then following the correct protocols based on that. Then, depending on whether it is operational or project funding, we would then look at how we would roll out that funding over the course of a year — basically the cash flow.

We have a number of categories up to a certain amount — that sort of thing. We would look at how we formulate cash flow based on that kind of funding and that criteria I mentioned earlier around the size, the outstanding concerns that we may have, the project itself — if it is a project and that sort of thing — the duration of the project.

The matrix itself has — we look at low, medium and high, and we would give it a score. So it would be the money involved, the complexity and the sensitivity. Is this high profile? Is this a standard kind of thing that we would do on a regular basis? The credibility and track record of the organization — as I mentioned, the size, capacity and sophistication. General community support: Is there just a few people or is it a broad-based organization? The skills, experience and expertise to achieve the project goal — project management skills, accounting record management skills.

So for each of those, we have a matrix we would score. Based on that, it would push us into the kind of TPA we would use. That is where we would get into the short form, low-risk TPA or the long-form, high-risk TPA. Generally, as a rule, we would push toward — anything over $100,000 automatically going toward that long-form risk. It is the smaller ones that we are trying to keep more expedient and simpler for smaller asks, for smaller organizations.

Mr. Cathers: I appreciate the response. The next question on my list is — I understand that Community Services' risk-based approach is consistent, but I would just ask for confirmation of that with the 2008 transfer policy that is in the *Financial Administration Manual*.

The second part of my question is whether that risk assessment under that matrix — does it differ significantly between the different funding programs, since Community Services has a wide range — everything from the sporting programs and after-school, which obviously are a different type of program and have significantly different measurables in terms of outcome from some other program areas?

Mr. Moore: To answer the first question, yes, we are fully in compliance with the 2008 government transfer policy.

With respect to the second question, we don't distinguish between funding pot or what area. We're trying to get a consistent use of the same templates no matter which pot it is. But we are absolutely trying to make the distinction, which is the kind of program that we're trying to support. Basically, that's where we would use that risk assessment. If it's a smaller organization, smaller complexity and smaller amount, we would try to stream it in that direction — higher in the other direction, as I described. So the only line or distinction we're making is between low risk, medium risk and high risk.

Mr. Cathers: Actually, I believe you've already answered the next question I had, so I won't repeat it. But a question, then, that I would have is: When it comes to the risk assessment, could you elaborate a little bit on how that works with — a couple of the examples that come to mind are with the Yukon Recreation Advisory Council. The decision around funding is not just being made by program officers. So how does the risk assessment work in that context? Is the information shared with the board members of YRAC or not about how that risk has been assessed?

The second program area I would just ask about is how that works with the community recreation assistance grants, which are in fact a legislated requirement under order-in-council.

Mr. Moore: With respect to YRAC — when we are assessing risk, it's specifically around how we deliver the funding agreement. So it's what funding agreement, what kind of requirements we need in that funding agreement. So it's not necessarily fitting into an approval process, which would be a whole series of policies that get us there through YRAC and meeting certain requirements.

The risk assessment is then — to be specific about this example — the committee would then make its recommendations. Then it goes through other decision processes. Then when it comes to the department to deliver, what kind of TPA are we going to then use? That's when we would take this matrix out and go — you know, the size and all those things I just listed. The criteria would determine how we deliver the money, but it doesn't necessarily feed back up into whether or not an organization is going to be funded or not. That decision would be policy-based, mandate-based and that sort of thing.

CRAG — for the second part of the question — as a legislative grant, is much more — that funding is determined and we would — it fits right into our existing processes already — how we do legislative grants through a TPA. So it would fit through this as well and the amount would fit it in. So we would run it through that risk matrix again on a

delivery process. But the recreation authorities themselves — because it's a legislative grant — would know they're getting that money and how the money is going to flow.

Mr. Cathers: I appreciate the answers in that area. I'm just going to move on to the Department of Economic Development.

I understand that Economic Development has implemented a risk assessment for departmental funds with an overall score for both project risk and recipient risk. My first question would be: First of all, can you confirm that that has been applied as of April 1 to all of the contracts and transfer agreements? Secondly, when it comes down to that risk assessment, are you using a similar model to the Department of Community Services in a high, medium, low scoring for risk or is it a different assessment? Secondly, when it comes to the type of information that is being required, based on that risk assessment, is it similar to Community Services or is it a different model that's being used by Economic Development?

Mr. Ferbey: We are adhering to 100 percent of our areas where we're funding to the risk assessment. Just to give a sample of our risk matrix, we assess both project risk and recipient risk. For example, on project risk, we'll look at things like the dollar value, the complexity of the projects and the public profile. For the recipient risk, we'll look at credibility and the track record of recipients, the skills and expertise of the project management team. We'll also look at the stability of the recipient. We also grade this similar to Community Services in high, medium and low. With that, depending on the risk profile — similar to Community Services, if it's low risk, we'll have a short order form for TPA and if it's high risk, a long-order form.

In addition to that, in our guidelines, depending on the risk profile, we'll also change some of the terms and conditions in a TPA to reflect the kind of visibility that we need on the expenditure of funds and the allocation of funds and of course, in real time, measure some of the results to ensure that the dollars are adequate. Again, more effort is used if the risk profile is higher for the client.

Mr. Cathers: Thank you. You've already partly answered my next question which was whether the results of that scoring assessment are being reflected in the conditions of the funding agreement. Can you elaborate on whether — particularly for those higher risk projects — what steps are taken by Economic Development staff — as the project is ongoing, in particular, in terms of ones that are project-specific — what additional measures might be taken by staff to monitor the progress of the project as it, hopefully, is underway?

Mr. Ferbey: On the risk matrix, there are two officers who will sign off, but I'll just give you a sample out of our reference guide on some of the different approaches we take, depending on the risk profile.

If low risk, it would entail just your standard terms and conditions that apply to all programs with relatively minimal reporting requirements. Medium risk — the outputs, measurables and reporting requirements are aimed at providing evidence the funds are expended on the tasks. Certain interim terms and conditions may have to be met during the life of the project before the final payment is made. If we're looking at medium to high risk, the concerns of this level of funding should be identified for performance measures, expected results and outcomes. The programming may be more complex and performance information required may be more extensive. In some cases, non-audited financial statements prepared by an independent accountant or audited financial statements of the project would be required after project completion.

In the case of high risk, the concern at this level should be the execution of the project and its evaluation upon completion. A high-risk project and high-risk recipient should be monitored closely. Some examples of the actions or activities that it would take could be frequent accounting and reporting requirements, monthly progress reports, on-site inspection by program officers, and, in all cases, our senior advisors — or in the case of the CDF, there are often ongoing discussions with clients, weekly discussions. Formally, when they have determined the risk profile, those provisions are put in the TPA to ensure adequate expenditure of public funds.

Mr. Cathers: I'm going to move on to Energy, Mines and Resources. Can you provide an explanation of how Energy, Mines and Resources is taking a more methodical approach to applying a risk-based approach to funding and transfers, and also indicate whether you're using a similar matrix for assessing risk, in terms of high, medium and low, to what Community Services and Economic Development are doing or, if it's a different model, how that model looks?

Mr. Mills: We did provide a copy of the form that we use as we're doing a risk assessment. It is a different model from that of Community Services and Economic Development. We have a larger range, from what we would consider to be no risk up to extreme risk — and then it identifies the need for mitigation strategies.

We have a bit of a broader range, but some of the things that we look at are the project timeline, the dollar range. With regard to prior history and success — and again I'll point out that with regard to government transfers, EMR transfers to societies. We have a very small number of ongoing transfers to societies and very much a long-term relationship with those societies. Over time, we have realized where there are challenges and where there are not, so we're able to evaluate those. When it comes to the risk assessment with regard to some of the other funding programs, this risk assessment is important — prior history and success, whether we have an excellent working relationship right up to poor working relationships, or non-existent, for new applications. We looked at some of the project barriers and also the capacity of those organizations. Also, with regard to the project ownership — so some of the funding that may be asked for by some of these organizations is part of a larger program that they are part of. The risk — if they are entirely in control versus if they are becoming a smaller percentage partner in a project.

Project sensitivity is also important. That means that if you move from a very low up to a very high public or political

interest — or extremely contentious, because that in itself can impact on whether or not a project actually makes it through the year. Some of the projects by some of our funding partners — an example would be some of the wetland work being done through the Klondike Placer Miners' Association or through the Chamber of Mines. They are undertaking work that is related to working with First Nations and YESAA, in some cases, on guidance for its proponents. It could be at a point where it can be so contentious that these projects sort of don't make it through the year or they end up having to be stopped.

We do look at that and ensure we structure the funding, recognizing that there are some potential hurdles or barriers throughout the year, so that guides the kind of structure. We do have a long- or short-form TPA that we can use based on our risk assessments. Again, I would note that, when it comes to societies, we do, for the most part, have a fairly long-term relationship with those societies.

Mr. Cathers: What type of documentation is required now that wasn't in the past? How does that vary across the different risk levels in the transfer agreements and contracts?

Mr. Mills: The documentation — I have mentioned some of this. We did the risk assessment worksheet that needs to be done and needs to be signed off by two officials within our department. That is to be part of going forward with any transfer payment agreements. The relevant staff have been trained on the use of the documents. We also have a checklist that we also provided in our response to allow for a number of steps so that our staff are able to work through a methodical approach to dealing with TPA requests.

I would also note — and it's going back a bit to my last question. It's not that we weren't doing risk assessment in the past. In fact, a number of our funding programs — and this steps a bit outside the scope, ultimately, of this audit. We have risk assessments built right in to our funding proposal review process for Growing Forward 2 programs under the Agriculture branch, as well as the Yukon mineral exploration program has had some key risk assessments built in as factors to consider as you move through for evaluating a number of funding proposals that are being put forward.

Mr. Cathers: What measures has Energy, Mines and Resources taken to ensure current staff in positions dealing with these types of agreements and transfers are aware of the responsibilities, and is it part of the orientation for new staff who either have these duties as part of their substantive positions or may at times be in an acting position covering off these areas of responsibility?

Mr. Mills: I just have one question to clarify first. Energy, Mines and Resources has worked with Finance as well, but we have created and provided a government transfer agreement checklist and risk assessment worksheets, as I have mentioned previously. We also started using these documents in late September 2016. Our response to the Auditor General's report indicated bringing in this risk assessment — responding to this on April 1, 2017 — but we were able to implement this much earlier.

Energy, Mines and Resources has also made these new forms available that, again, were attached to the package that we provided to you.

On the department's internal website, it has presented a number of short-term information sessions as well as refreshers for various levels of staff within our organization.

Work was initiated on this immediately after the Auditor General's recommendations were agreed to and will continue as staff change and subsequent training is needed. We do frequently also have orientation for new staff, which includes both orientation from a senior management level, including myself, right through all the rules and procedures for all new staff when they come into Energy, Mines and Resources.

It provides a summary of all documents on the EMR finance web page. It includes a presentation by the manager of financial operations on overall work done by the finance staff. It also runs through all the checklists and risk assessments for transfer agreements.

Ms. Hanson: I have just a couple of follow-up questions. From all three departments, we have heard about some good work being done with respect to developing a risk-based approach in managing government transfers. My question is: What cross-department consultation discussion has occurred so that — we talked about Community Services and Economic Development having theirs, and then EMR, recognizing perhaps there's a difference in scope and some activities, but there are common themes in this risk assessment. I'm just looking for what consistency there is across the departments and how is that manifested. Did you have conversations? Is this part of a working group? Is it all done individually by departments with no cooperation or collaboration? That is what I'm looking for.

Mr. Ferbey: There seems to be similarity across the risk assessment. Of course, all of us are looking at 5.9 in the *Financial Administration Manual*, which provides us the overarching framework for the risk assessment. To your point, I think further work obviously should be done in concert with us implementing the recommendations from the audit to spend some time to look at our different risk assessments, realizing that standardization is useful. In fact, that's one of the recommendations in the audit and that's something we'll definitely put on the work plan to discuss further across the deputy minister table and with colleagues here to ensure that, if some of us have some strong examples of how we're doing it, we can share, and vice versa.

Mr. Mills: Also with regard to the question, we do have a department administrator liaison committee, which covers all the different departments. They meet on a monthly basis, so topics such as these and the results of the Auditor General's report are elements as we deal with cross-department issues and seek consistency. Part of this work is also with the Department of Finance.

Ms. Hanson: I meant to pick up on that. I think we will have an opportunity this afternoon — the overarching goal of the central agency is quite important there, so I hope to see that with all departments.

I just want to come back to — we have examples of these various risk assessment documents. I said this to fellow Committee members the other day — as somebody who worked in the public service for almost 30 years — that sometimes there's a tendency for us to respond to comments or critiques by piling on more paper. My question is: Do these documents enhance our capacity or just make it more complex?

Is it built into the process to go back and review — for example, the risk assessment matrix and the addendum process, because we are adding another layer of compliance within our public service? Sometimes that can cause issues as well.

I guess my question is: In putting this together in these various matrices, is the objective to demonstrate that, yes, we heard the Auditor General and this is what we are going to do, but how do you individually as deputies intend to assess whether or not they are achieving the purpose?

Mr. Mills: Because there is transition staff and because I think consistency across departments — and staff are moving between departments — is an important aspect here, our matrix looking different from other departments and whether ours is overly cumbersome is really one that we would want to seek a review from our staff who are using it and identify which of these matrices may be more effective.

I don't think this piles on additional work. I think that actually the work is when we issue a funding agreement where we have to deal with more of either damage control or trying to get the reporting in because we didn't use a matrix appropriately. I think that that the checklist is really useful because it helps with staff transition. We have built more effective administrative assistant manuals, and so on, that are really effective checklists. I have heard very good comments back about improvements in that there are manuals that can be used by those individuals to help guide decisions.

I can speak with Energy, Mines and Resources over the last 18 months now, but we have put in additional measures to try to ensure consistency in decision-making when you don't always have consistency in the staff. Without a doubt, I think it is worthwhile looking at some of these matrices with the other departments to try to find ways to come up with a more effective decision matrix and also signal what a decision of high risk means when it comes to how you design the funding structure over a year or how that links to the response of additional reporting that might be required.

I think they are very helpful tools. This isn't just putting it on a piece of paper so that we can say to the Auditor General's office that we have done this job, because they may be back to audit us again on other issues, and I think it is useful to actually look at the audit results and respond to them in an appropriate matter that improves the work of government.

Mr. Cathers: These questions are sort of for all departments in this case. First of all, we have received a large amount of e-mail volume, so if we have already received it, then thank you for sending it, but if it hasn't, I would just ask if we could get copies of the risk matrix decision tree and the key documentation that each department is using.

I would just note for the Auditor General to feel free to correct me if I'm mischaracterizing this in any way, but I think it's fair to say that both the current Auditor General and the previous Auditor General noted that, in improving accountability, the solution isn't necessarily a lot more paperwork. My concern relates to the fact that, as we've seen from situations, the result of a previous Auditor General looking into a specific matter involving the federal government led, in large part, to the *Federal Accountability Act* and some of the significantly increased paperwork, both beforehand and after the fact, that has had a significant impact on the Yukon government — I know in areas, including the infrastructure funding, it has resulted in both inefficiency in the use of federal dollars and significantly increased paperwork and staff time being required to meet those federal requirements.

My concern is that, when there is an issue that arises as a result when the Auditor General or others find that there may be an issue with accountability on the part of government, there tends to be a natural response to trend toward more paperwork in every area. I would just note that concern and ask the various deputies whether there's a concern that the current model may have gone a little too far toward requesting more paperwork, and if there's a plan to review it, especially in the early periods of its implementation, to determine whether there can be some reduction in the volume of paperwork being placed on those receiving the funding and the amount of staff time within Yukon government that is taken up in ensuring these accountability requirements are met?

Mr. Ferbey: I believe all of the colleagues in our department have provided the documentation on the risk matrix and the various guidelines.

I think for us, given the fact that, prior to the audit, we did have a risk matrix in place and a risk assessment — but we just didn't apply it consistently enough — it hasn't added on a new layer of bureaucracy or paperwork that has an impact on our clients. In fact, in some ways, it's quite the opposite. When you start going through the risk matrix and you start looking up, for example, project risk, the kind of dialogues that come up deepen our understanding of what the client is trying to achieve. In many instances for our department — because we have senior business advisors, when we're going through the risk matrix, if there are areas where, for example, working with clients who can use non-financial assistance, going through the risk assessment allows us to comport ourselves to organize ourselves internally to potentially help clients. In that instance, if we didn't have such a robust system now, we may not have some of these dialogues with some of the clients early on as they're seeking funding. In many instances, the actual risk matrix has improved our efficiencies — really understanding what the clients are trying to achieve and how we can assist in non-financial ways, in addition to if they are seeking financial resources.

Mr. Moore: Mr. Chair, I guess I would just add to that — I agree that oftentimes — I guess in some ways, this responds to both the questions. They're fairly similar. But we have actually seen — and the articulated expectation of this — this doesn't just add more — it also actually — by creating finer distinctions between the kinds of recipients and the kinds of projects that we're supporting — I would expect — and we have talked about the fact that smaller organizations and smaller projects — and perhaps this is where it is different between different departments. We deal with 155 TPAs a year to non-profit groups. So there is a huge range of capacities there. Some of the smaller groups or smaller requests we can actually deal with more simply by having more defined guidelines. We have talked about that being something that is really — we hope that, because we have this really well laid out from the outset, people will be able to make those distinctions, document them properly and we will have done our due diligence at that point in time, instead of having to treat everybody with the full scope of things. We have identified that.

I think we have also talked about the fact that we will need to review this after our first year. We know that our full evaluation process won't be coming in until 2018, once this round of applicants — TPAs that are out from this fiscal year will be done. We will be doing that full evaluation next year, so that will give us a good opportunity to review that process and get that kind of feedback as well.

Chair: Mr. Mills, did you have anything to add to that?

Mr. Mills: A lot of the work that has been identified was being done, but not necessarily documented or following a certain matrix, so I would agree with both Economic Development as well as Community Services that this hasn't really been an add-on of additional work and time requirements. It does, in many cases, make for better projects. It does make for better relationships, or at least more decisive relationships, when the risk assessments are showing extremely high risk on certain projects.

It also gives some guidance to those individuals who are applying for the funds that, in order to remove and lower the risk criteria or in order to receive funding, we need to see some changes in either their proposal or the statement of what their intention is and everything. I don't think this really adds to it. I would also note that, yes, there is a lot of paperwork out there. I'm not sure if these add, but I think there is a need to look at various policies of how we operate in government to try to decrease the unnecessary paperwork. I would just flag projects such as the new time, leave and labour and other processes are ways that are being very effective at reducing certain loads, especially on those real transactional and paper-heavy processes.

I think we just need to look at this, do the review — as my colleague Mr. Moore, had to say — do a review over the next few months, decide if these matrixes then have to be amended, but also continue to try to reduce the unnecessary paperwork. That is part of government, unfortunately, and I think there is a lot that can be removed.

Ms. Hanson: Just one final follow-up to the — I think implicit or explicit in my question earlier was that aspect of review. Mr. Moore has mentioned that his intention is to look at this in 2018, in retrospect, based on the time frames of certain agreements that are in place.

Do Economic Development and EMR have built in to the implementation of new risk assessments and various matrices — do you have built into that a review in one year or 18 months from now, so that you will be able to objectively assess whether or not these are achieving the objectives that you had when you put them into place, and/or it needs to be reviewed, amended or nixed?

Mr. Ferbey: For Economic Development, our risk matrix — for us, it's just the more assiduous application of it. In terms of reviewing if the documentation of the way they're doing the risk assessment is providing value, both externally and internally — yes. I think these documents have to be living documents. This is something that Finance does often and that our senior management team will definitely put on the agenda — this risk assessment matrix — both to ensure that, of course, we continue to adhere and implement 100 percent, but also exactly to the question — six months from now, we'll discuss if there are some changes we should make to our reference guide and the actual risk assessment. So we will do that.

Mr. Mills: Again, with regard to societies, we have a small number of funding agreements with those societies. One of the things we have done already is to try to make it a bit more effective, and also allow these societies to adequately plan, is to try to look at two- or three-year types of commitments to these societies so they can make proper planning. It improves the relationship.

We're constantly reviewing how we approach these and we could definitely realize that we need to reach out and talk about — including to the people we're providing funding to — to look at a review.

Mr. Hutton: I would like to thank all the staff members for being here this morning. You'll be happy to know that I have only a couple of very easy questions for Community Services.

The Auditor General's report suggested that Community Services should put mechanisms in place to systematically review government transfers to determine and document whether their goals and objectives have been met. The department's response notes it will require recipients to complete a final evaluation to document whether the objectives of the program or project have been met. The department will also require program officers to complete a post-assessment report to confirm that the objectives of the program or project have been met.

What measures has CS taken to ensure all funding recipients complete a final evaluation to document whether the objectives of the program or project have been met as part of the agreement's final deliverables?

Mr. Moore: Community Services requires recipients to complete a final report. As others have noted, we have in the past. The point has been that it hasn't always been done. What

we have done is create an accountability reporting form that is part of the agreement file. In that document, our program officers would then assess whether or not the objectives were met at the end of the agreement by looking at what we have actually identified prior to signing off the agreement as to what the mandate items and business plan objectives were at the outset and then measuring against that at the conclusion of the agreement.

Again, tying that into some of the earlier discussion — being more up-front and being more explicit about what the expectations are will actually help that process when we know what we are reporting against at the end. That agreement itself includes linking to specific goals and identifying what we need to do through that, using that consistent template across all of the agreements that we have.

Mr. Hutton: Your program officers ensure that the funding recipients have completed their final evaluations and the next step is your program officers complete a post-assessment report. How do you confirm that that gets completed? Is that just standard?

Mr. Moore: The form itself, the accountability reporting — we are actually looking at interim reporting steps and at final reporting, which includes reporting against the objectives. We have to check boxes about getting signed financial statements, identifying all revenue sources and other reporting requirements that will be required of the society and then laying out very clearly how and what objectives were met. That is one form that we have not fully created. We have worked on all the intake portions of it. Because many of our agreements run from April of this year to March 31, 2018, that is currently what we are working on, so we will have more systematically defined what that reporting template will look like before the end of this fiscal year to use once we are evaluating them at the end of this fiscal year. That is what I was referring to — by early 2018 — that we will have that form ready to have that methodical approach to close off those agreements.

Mr. Hassard: Are there any other follow-up questions from any members of the Committee?

Thank you very much to all of the witnesses for your time here today. We will recess until 1:30 p.m., at which time we will reconvene with Department of Finance and Executive Council Office.

Recess

Mr. Hassard: I will now call to order this hearing of the Standing Committee on Public Accounts of the Yukon Legislative Assembly. Today the Committee is investigating the Auditor General of Canada's report entitled *Report of the Auditor General of Canada to the Yukon Legislative Assembly — 2017: Government Transfers to Societies — Yukon*. As this report deals with multiple departments, the witnesses are appearing in two panels today. This morning, we heard from witnesses from the Department of Community Services, the Department of Economic Development, as well as the Department of Energy, Mines and Resources.

I would now like to thank the witnesses from the Department of Finance as well as the Executive Council Office for appearing this afternoon. I believe the deputy ministers — or acting deputy ministers, in some cases — will introduce the witnesses during their opening remarks.

Also present with us today are officials from the Auditor General's office: Michael Ferguson, the Auditor General of Canada, and with him is Casey Thomas, principal.

I am the Chair of the Committee, Stacey Hassard, and the MLA for Pelly-Nisutlin. To my left is Paolo Gallina, the Committee's Vice-Chair and Member for Porter Creek Centre. To his left is Liz Hanson, Member for Whitehorse Centre. To her left is Ted Adel, Member for Copperbelt North, and on the far left is Brad Cathers, Member for Lake Laberge, who is substituting for Committee member Wade Istchenko, who is unable to be here today. Finally, behind me, is Don Hutton, Member for Mayo-Tatchun.

The Public Accounts Committee is an all-party committee with a mandate to ensure economy, efficiency and effectiveness in public spending — in other words, accountability for the use of public funds. The purpose of this public hearing is to address issues of the implementation of policies, whether programs are being effectively and efficiently delivered, and not to question the policies of Government of Yukon. In other words, our task is not to challenge the government policy but to examine its implementation. The results of our deliberations will be reported back to the Legislative Assembly.

To begin this afternoon's proceedings, the deputy ministers or acting deputy ministers will be invited to make opening statements on behalf of their departments, and Committee members will then ask questions. As is the Committee's practice, the members devise and compile the questions collectively. We then divide them up among the members, and the questions that each member will ask are not their personal questions on a particular subject but those of the entire Committee.

After the hearing, the Committee will prepare a report of its proceedings, including any recommendations that the Committee wishes to make. This report will be tabled in the Legislative Assembly.

Before we resume the hearing, I would ask that questions and answers be kept brief and to the point so that we may deal with as many issues as possible in the time allotted for this hearing. I would also ask that Committee members, witnesses and officials from the Office of the Auditor General wait until they are recognized by the Chair before speaking, as this will keep the discussion more orderly and allow those listening on the radio or over the Internet to know who is speaking.

We will now proceed with opening remarks from Ms. Muir.

Ms. Muir: Thank you and good afternoon, Mr. Chair and Committee members. My name is Pamela Muir. I am the acting deputy minister of the Executive Council Office. Mr. Connell, the deputy minister, is currently out of the territory. With me is Jeananne Nicloux, also a Cabinet policy analyst with the Executive Council Office.

We're pleased to be here today to speak to ECO's role in relation to the performance audit carried out by the Auditor General on government transfers to societies. Government transfers to various bodies and organizations are an important public policy tool to advance delivery of programs and services to citizens. ECO is of the view that having an appropriate and effective policy framework to guide the work of departments in relation to such transfers is essential.

As a central agency, one of the key responsibilities of ECO is supporting the Cabinet governance process by ensuring that government policy and planning are coordinated and effective.

It's also responsible for maintaining and disseminating corporate portions of the *General Administration Manual*, referred to as the GAM, which comprise various internal policies and procedures.

I do think it is fair to say that, as government is evolving, there is a new collaborative relationship between ECO and the Department of Finance. While ECO maintains its overall responsibility for supporting Cabinet governance and coordinated policy and planning and decision-making across government, Finance is actively now taking the lead for corporate financial matters, and Executive Council Office and Finance are working closely to provide leadership on oversight on these matters in order to support effective and financially sound government decision-making. That is a new relationship that we are very happy to have.

As you will know, there are two recommendations in the audit report that relate to ECO. These are recommendations 31 and 84. Just by way of brief background, as I am sure Committee members are all aware of this, an NGO funding policy was approved in 1998 to guide decision-making processes for funding to non-government citizen groups engaged in delivering community services and programs. That was one of the GAM policies that ECO was responsible for administering.

Following the 2007 report of the internal audit — *Report on the Audit of Contributions* by the government internal services branch — the Department of Finance created the government transfers policy in section 5.9 of the *Financial Administration Manual* — FAM. So that policy is more detailed than the 1998 NGO policy was, and it covered transfers to all societies, not just NGOs.

As pointed out by the Office of the Auditor General in their report, there are some contradictions between the two policies — between the NGO funding policy and the government transfers policy — and it related primarily to some definitions and certain types of funding that is permitted, related primarily to operational or core funding.

In recommendation 31, the Auditor General recommended that Finance and ECO work together to resolve these contradictions, and while the older NGO funding policy has not really been an active source of guidance as it was superseded by the Finance policy, ECO acknowledges that these contradictions need to be resolved.

As laid out in the status update and work plan dated June 12 that was provided to the Committee, ECO and Finance have completed a detailed comparison of the two policies and have agreed that the way to reconcile the contradictions is that the NGO funding policy be revoked in its entirety and that the government transfers policy be amended to clarify some of the concepts that the Auditor General noted needed some clarification. We expect that work will be done by the fall of this year.

With respect to recommendation 84, at the time the government transfers policy was approved in 2008, it was anticipated at that time that there would be a corporate program evaluation policy put in place in response to the 2007 internal audit. As a result, that policy is actually referred to in 5.9, the government transfers policy.

While ECO certainly supports the concept of evaluation and work has been undertaken on a corporate policy, that policy was never established, for various reasons including capacity and resources.

In its response to recommendation 84, ECO indicates its agreement that an evaluation policy that supports a results-based approach to managing government transfers should be created and, as indicated in our work plan and update, ECO and Finance have determined that the policy guidance for evaluating government transfers should reside with Finance. Officials will recommend that the government transfers policy be amended to include this. It is expected that this work will be undertaken over the next year or so with a target of finalizing a policy in the fall of 2018 with implementation and training to follow.

I did just want to make a couple of comments about program evaluations specifically. While there hasn't been a corporate program evaluation policy established, there has been work ongoing in government in relation to that important concept. As mentioned, the government transfers policy will be amended to include evaluation criteria. The Department of Finance will speak to this but, as part of its reorganization, they will be adding an evaluation unit. There are many instances in the FAM or GAM policies where evaluation activities are referenced. There is some legislation that mandates evaluation of policies, and there have been past interdepartmental working groups to discuss and look at evaluation frameworks. There has been training for public servants on evaluation skills. While we acknowledge that there is lots of work still to do on the concept of evaluation generally, there has been some progress on this element of government decision-making.

In conclusion, and as noted in the report, ECO agrees with the recommendations 31 and 84, and work is actively underway by ECO and Finance to address the recommendations.

Ms. White: Good afternoon, Mr. Chair and members of the Committee. My name is Katherine White, and I am the Deputy Minister of Finance. Accompanying me today are Clarke LaPrairie, the assistant deputy minister of Financial Operations and Revenue Services, and Tina Frisch, our Comptroller.

We are pleased to appear before the Public Accounts Committee to respond to the performance audit conducted by

the Office of the Auditor General of Canada on government transfers to societies. Government transfers, as mentioned, are an important public policy tool used to advance delivery of government programs and services. Government transfers totalled just over $340 million, or approximately 28 percent of all expenses in 2015-16 — our last fully audited financial statements.

As stated in the audit report received for the period covered by the audit, transfers to societies represented approximately 12 percent of all transfers at roughly $40 million annually. The Department of Finance is pleased with the conclusion that the department is conducting sufficient monitoring to identify and report on matters of non-compliance. We are also pleased by the fact that the audit only yielded one recommendation for the department, although we will be assisting on two. We are currently in the process of addressing that recommendation and the second that we will be following up on.

We see these facts as a testament or affirmation that our past efforts in regard to managing transfers have had positive impacts. In comparing this audit with the 2007 internal audit on contributions that the Office of the Auditor General references, the difference is startling. That audit had 59 recommendations, many of which were quite serious in nature. There is often a common theme with internal or performance audits. These audits often identify that there are areas of non-compliance with various policies or procedures, not because of malicious intent, but because of systematic root causes in areas such as lack of clarity of policy direction, inadequate systems and reporting tools and/or poor training.

After the 2007 report, the Department of Finance created the transfer payment policy that resides in section 5.9 of the *Financial Administration Manual* — the FAM. The policy was written partly to address issues found in the 2007 internal audit. The policy incorporated best practices of the day, which at the time were articulated in the themes contained in the 2006 Independent Blue Ribbon Panel on Grant and Contribution Programs created by the federal government of the day.

Working with the Department of Justice, we created standardized transfer payment forms and terms and conditions. Working with the Department of Highways and Public Works, we created a centralized system to create and host those transfer payment documents. The system has improved the department's ability to manage, track and report on matters related to transfer payments. These efforts have paid dividends. We have seen greater consistency in the application of the transfer policy than existed prior to these changes. That said, we do recognize that there is still some work to be done.

As a central agency, we have a critical role to support line departments in their efforts to run their programs. We'll be recommending amendments to FAM 5.9 to provide clarity on terms identified in this audit as confusing, such as what it means for a society to be in good standing. We will also provide guidance regarding evaluation criteria for transfers.

Finally, I would like to take this opportunity to mention part of our department's reorganization. As I mentioned, audits such as this one often identify issues or problems that have root causes in either lack of clarity with respect to policy or deficiencies in training. That is why, as part of our restructuring, we are narrowing the scope of the comptroller's office — in part, to allow for more focus on financial policies, whether contained in the *Financial Administration Manual*, directives, regulations, or the *Financial Administration Act* itself. Additionally, this more focused comptroller's office will have added resources to provide guidance and training on financial processes and procedures government-wide.

In addition to the changes to the comptroller's office designed to improve policy, processes and procedures, we will be adding an evaluation unit in the Economics, Fiscal Policy and Statistics branch of the department. There are still many details to work out with respect to establishing an evaluation unit. What I can say now is that, while this unit will not be solely focused on transfer payments, we expect the capacity that will be developed by the formation of this unit will enable departments to better fulfill their responsibilities to implement results-based programs. In other words, the evaluation unit should complement the efforts of the comptroller's office to help address the key findings contained in this performance audit. We agree that application of policy should be consistent and that effective systems and practices support good management of government transfers. We have made significant progress in these areas in the past, but we accept that there is still a lot of work to be done and we are committed to undertaking that work.

Thank you, Mr. Chair.

Chair: At this time, we'll move into the question portion.

As the Office of the Auditor General examined policies regarding government transfers to societies, they found in paragraph 20 of the report that "... the policies for managing government transfers to societies contained concepts that were contradictory or undefined." While the Government of Yukon raised contradictions in terminology as an issue in its 2007 internal audit, the OAG reported in paragraph 20 that this issue had not been resolved. Could you tell the Committee why so much time elapsed without corrections being made?

Ms. Muir: Yes, thank you, Mr. Chair. I think, as was mentioned, the 2007 audit report had a number of recommendations in it.

Since that time, 50 of the 59 recommendations have been addressed. There was a focus on that. As well, the contradictions between the NGO policy and the government transfers policy — we were of the view that the NGO policy was superseded by the financial policy and really wasn't a guidance tool, but recognize that removing the contradiction is what should be done, and that's what we'll be recommending. I think the focus was on getting the government transfers policy in place and working. That's the reason why.

Chair: Can you tell us what action is typically taken following internal audits?

Ms. Muir: Following an internal audit, the departments that participated in the audit have an opportunity to review the audit report and provide what we call a "management response" to each recommendation made in the internal audit report. That management response can accept the recommendation, provide a context to the issue or provide other sorts of information that the department feels is relevant. Then the deputy minister who signs the management response attends the audit committee, which is established under our internal audit policy, to present the management response and make commitments to implement recommendations by a certain date. The report, including the management response, is then posted on the Government of Yukon website. That's typically what happens.

Chair: Thank you. And do you feel that those steps were taken in regard to this internal audit?

Ms. Muir: As I understand it, that was done. The audit was posted. The follow-up reporting on the audit, the second phase of the internal audit, was done in, I believe, 2010 and was posted. As I said, 50 of the 59 recommendations in the internal audit report were acted upon, so that was where the focus was but there are these remaining items that will be attended to.

Chair: Can you also tell us how progress on internal audit's recommendations is tracked?

Ms. Muir: Once a report is approved by the audit committee, the internal branch — the internal audit report — follows up on the implementation of the recommendations twice a year until the due date. They make regular reports to the audit committee on internal audits to provide information about how well government is doing against its own yardsticks. As I mentioned, there was a 2010 follow-up report on the government internal audit report on the contribution agreements report.

Follow-up audits — they do involve two phases. Phase 1 is usually carried out about a year after the report, where the internal auditor gathers information on the status of the corrective actions, and then phase 2 is two years or more afterward with a follow-up report, and that's what happened in this case. The 2010 report was the follow-up report.

Mr. Gallina: Thank you, Mr. Chair, and thank you to the department officials who have joined us here today.

The two policies that departments use for government transfers to fund societies are the 1998 NGO funding policy in the *General Administration Manual* and the 2008 government transfers policy in the *Financial Administration Manual*. In paragraph 31, the OAG recommended that the Department of Finance and the Executive Council Office should work together and consult with other departments as necessary to review the 1998 NGO funding policy in the *General Administration Manual* and the 2008 government transfers policy in the *Financial Administration Manual*. They should resolve contradictions in the policies and define key policy concepts.

So has Finance and the Executive Council Office reviewed the 1998 NGO funding policy and the 2008 government transfers policy to identify contradictions and define key policy concepts?

Ms. Muir: Yes, that work has been done. It was done in April. It was completed in April.

Mr. Gallina: Can you elaborate on the review that took place in identifying the contradictions and defining the key policies?

Ms. Muir: Yes, officials from ECO and the Department of Finance did a detailed review of the two policies — sort of a side-by-side kind of review — to identify where there were contradictions, where there was overlap, et cetera, and the determination was made that the best course of action was to recommend that the NGO policy — the older policy — be revoked in its entirety and that some amendments be made to the government transfers policy to clarify the definition — things like what "good standing" means and that sort of thing — and to clarify the contradictions around what operational funding is, what core funding is, and when they can be used.

Mr. Gallina: Ms. Muir, in your opening statements, you talked about this new collaborative relationship between ECO and the Department of Finance. I wanted to know more on how the effectiveness of this evolving relationship will be measured. Can you speak to that?

Ms. Muir: Well, that's a good question. I suppose in any number of ways — through sound, financial management according to clear policies, and things like government planning for activities, which will be tied to budget cycles, and so Finance and ECO are working closely on that front. Those are two immediate examples that come to mind.

Ms. Hanson: So we're going to go back to paragraph 31, which, as we know, was where — as Mr. Gallina pointed out — the Department of Finance and Executive Council Office agreed they should work together and consult with other departments as necessary to review the 1998 NGO funding policy in the *General Administration Manual* and the 2008 government transfer policy in the *Financial Administration Manual*. They should resolve contradictions in the policies and define key policy concepts.

Both of you have agreed to that. We've heard from Ms. Muir that the review was done and completed in April of this year. Ms. White, you said that the target of finalizing a policy for the government transfers policy is still the fall of 2018. I guess our question is: Is this adequate? It was in the response from the Department of Finance to the Auditor General: "We anticipate that this initiative will be completed by November 2018, subject to how it is prioritized in relation to other initiatives."

My question is: Is this adequate and does it imply that the Department of Finance may decide not to do it by next November 2018?

Ms. White: I thank the member for the question. The Department of Finance does believe that the target of November 2018 is sufficient time to address the recommendations found in paragraph 31, namely, to resolve contradictions in the policies and to define key policy concepts. As was mentioned in the opening remarks, the transfer payment policy has generally worked well, with a few

exceptions — the main exception being the conflict with the *General Administration Manual* policy related to NGO funding. This conflict will disappear by repealing that outdated policy and the report points out a few areas where definitions could be clearer, such as: What does it mean for a society to be in good standing? These issues can be dealt with in the suggested timeline.

The language about priorities just reflects the decision-making processes of government. Typically it is the departments' public servants who respond to performance audits, but ultimately it is the government that must direct priorities. So at the time, the deputy ministers were making timing-based commitments. We were anticipating a territorial election may or may not result in a change in government, so the language simply reflects the need to recognize the new priorities of an incoming government.

I do want to reaffirm that the Executive Council Office and the Department of Finance are committed to implementing the recommendations of the audit within the time committed. However, certain aspects of implementing the recommendations of the audit require Cabinet and Management Board approval and cannot be completed independently by the departments.

Ms. Hanson: Thank you for that. In the development of the new policy work, is it the intention — the outcome of that — is it an incorporation of the 1998 policy into the 2008 — into making one policy? So it is being incorporated to create a 2008.2 or whatever, or what is it?

Ms. White: Thank you, Mr. Chair. It is our intention to beef up, if you will, the FAM 5.9 policy — so to only have one policy remaining — and I don't want to add a point-anything on because there is actually quite a number of subsections in that policy. But it would be, as you described, transfer policy 2.0, if you would, yes.

Ms. Hanson: Ms. White, you said in your opening statements that in working with the Department of Justice, the Department of Finance created standardized transfer payment forms and terms and conditions, and created a centralized system to create and host those transfer payment documents. That was to improve — or the system has — so it is past tense — improved departments' ability to manage, track and report on matters related to transfer payments.

So my question is: What oversight role has the Department of Finance played with EMR, Community Services and Economic Development as they have developed their response to the Auditor General's report? This morning, we heard a lot about risk assessments. We saw piles of forms being developed independently in departments. There is an understanding that they are in compliance with the transfer payment management system.

What role has the Department of Finance played in the development by those departments of their responses to the Auditor General's recommendations?

Ms. White: We have reviewed the checklist, the decision trees and the guidance documents that the three departments have developed independently to ensure that they comply the best way they can with the FAM 5.9, and that is our standard practice. We are happy to review any additional measures that departments put in place, as the three departments the member mentioned have done. We do plan on taking the results and reviewing how those are working with the three departments in addition to any additional external guidance that may come from the federal government, as it did before with the blue-ribbon panel report or any other external or internal group, and look to provide more policy clarity, as we have committed to by the fall of 2018, on evaluation criteria. We have reviewed all those checklists and decision trees to ensure, in our view, that they do comply with FAM 5.9, the overarching transfers policy.

Mr. Adel: Welcome everyone — good to see you here today. I have some questions for Finance and for ECO. I'll start with Finance.

You'll have to bear with me — some of this might be a little bit repetitive, but that's just what we're here to do. How has Finance worked with the departments to create a government transfer agreement checklist and self-assessment worksheet for staff to use? I'm not talking about the overarching — I'm saying, okay, do this, do this, do this — is that the type of approach you took, or was it just, see what they gave you and make recommendations?

Ms. White: Thank you for the question. Our Policy and Compliance unit in Finance does spend a considerable amount of time and effort trying to assist departments in ensuring they can administer a corporate policy, such as the government transfers policy, in a fashion that addresses the unique needs of each department and their programs. To your specific question, we reviewed what they came up with, because the policy is quite clear that departments are responsible for implementing their own policy, and we don't tend to take an overarching, top-down method, but we do work in a collaborative manner with departments to ensure what they come up with is compliant.

Therefore, there are several departmental checklists, as you heard this morning, that we have assisted in the development of. We do have a system for showing transfer payments that is fully integrated into our financial systems. Concurrent to the policy work we are undertaking, we will explore the feasibility of incorporating some of this functionality into a corporate system. Where things have commonality — like we heard in the checklists that were used this morning — we would look at embedding that right into the system, because that can sometimes be preferable to stand-alone worksheets, and you can't proceed if the system doesn't let you unless you have fulfilled those requirements.

What we don't want to do is cause an undue burden on departments or, ultimately, Yukoners who are the recipients of the services provided for by these transfer payment agreements.

Mr. Adel: What is the status of working with ECO to conduct an internal scoping of the possible changes and approach?

Ms. White: We have submitted our work plan to the Public Accounts Committee. As was stated earlier, I think it clearly indicates our initial scoping.

For the record, we have identified the phased approach allowing for quick wins, if you will. First, Finance and ECO expect to recommend to Cabinet to revoke the GAM 1.16, the NGO funding policy that was referenced earlier that conflicts with FAM 5.9, the transfer policy. This will obviously eliminate any conflicts and make it clear that transfers to societies should follow the same rules and procedures as all government transfers. In roughly the same timeline, we'll recommend to Management Board revisions to the transfer payment policy that will clarify the key concepts that were identified in the Auditor General's report as being ambiguous to some. After that, we expect roughly a year or more of comprehensive work to identify how evaluation policy can incorporate a more robust results-based approach.

Mr. Adel: Last question — it will just be a short one, because I think we've covered a lot of it. You said the status of work being done to policy changes in the development of the implementation plan will be fall of 2018, you anticipate?

Ms. White: For clarity, we have committed that, by fall 2018, we will have resolved all the conflicts mentioned and we'll have recommended that the GAM be revoked, yes.

Mr. Adel: We'll move over to ECO. What is the status of the work being done to conduct an initial scope of possible changes in approach?

Ms. Muir: That work — the initial scoping has been done and it was completed in April.

Mr. Adel: What is the status of consultations on where the evaluation function for this policy will reside?

Ms. Muir: The consultations are complete and the decision has been made at the departmental level that it will be in Finance.

Mr. Adel: What is the status of any policy changes in the development and implementation of the plan?

Ms. Muir: The policy changes to the NGO policy will be recommended by the fall — the revocation of that policy. At that time, it's hoped that some early changes to the FAM will be recommended to Management Board to clarify some key concepts. Then, within a year following that, amendments to the FAM to deal with the evaluation piece will be done. So it's that sort of phased approach Ms. White referenced.

Mr. Cathers: Thank you to all of you for coming here this afternoon. I have a few questions. You've answered some already so I'm going to skip a couple of questions here.

There was reference in the Auditor General's — a reference in paragraph 75 — noting that the Department of Community Services didn't always assess and document whether objectives of transfers had been met, and it also noted the Executive Council Office has not developed a corporate evaluation policy to allow departments to measure results at the program level.

Now, if I understand correctly — and please confirm for the record that I'm correct in understanding what you stated earlier — I understand that initial work on an evaluation policy and scoping out the work plan for development of that was done by April 1 of this year and you plan to implement that then by November 2018.

Is that correct? If so, can you advise whether the work plan itself has received or requires Cabinet approval?

Ms. White: I can confirm that the member's statements are correct. We do intend to implement an evaluation policy by fall 2018. So all recommendations by fall 2018 will be contained in the Department of Finance, and yes, would require Management Board and/or Cabinet approval.

Mr. Cathers: I had a question just following up on the question of Mr. Adel. So the location of the evaluation function for this policy — I understand that you've indicated the decision has been made at a departmental level of where you would like to see the evaluation function housed — that being in the Department of Finance. Does that decision still require approval by Cabinet and/or Management Board before it's finalized or have you received confirmation that that indeed will be where it is located?

Ms. White: Thank you for the question. We have received confirmation from Management Board and Cabinet that the evaluation function will reside in Finance. That was done through the budget for 2017-18. Some of the new positions that were debated in the Legislature in the Department of Finance are for this evaluation unit that will be housed in the department.

Mr. Cathers: I understand that there is still some work outlined under the work plan that you referenced but are you able to give us any more information at this point in time about what the key elements of a results-based approach to evaluating government transfers are likely to be?

Ms. White: Thank you for the question. The key elements are actually at a very high level — not sufficiently — but are at a very high level articulated in FAM 5.9.5.2 which is titled "Results-based, risk-based and citizen focused approach." It outlines the elements of a risk-based approach such as setting clear responsibilities, clear and logical design and a sound performance measurement plan. The opening statement clearly indicates the key expectations — and I quote: "Departments much use a results-based and risk-based management approach in designing a transfer payment program and drafting a transfer payment agreement, while adopting a citizen-focused approach to managing programs and individual funding agreements."

So at a very high level, those will remain the elements. What remains outstanding is additional clarification and guidance to be developed to assist departments in meeting these very high-level requirements. At this point, we do still plan on maintaining those very high-level elements, but fleshing out for the departments — what those look like — and working with some of the changes that have been implemented by three of the early adopters that you heard this morning of a more stringent results-based approach.

Performance measurement will certainly be a key element of that, and creating clear objectives will also be a key element. It is very hard to measure whether you have met your objectives if the objectives were not clear to start with.

Mr. Cathers: Am I correct in understanding that the plan to amend 5.9 — subject of course to Cabinet approval —

is to put in place additional performance measures within that structure?

Secondly, if that is correct, is there — at this point in time where I may be getting further ahead than you have gotten in terms of planning — but are you envisioning the policy evaluating performance differently for the different types of NGOs? What I am referring to primarily is that it seems to me that there are three basic types of NGO funding agreements. I am blending together the wide range of categories, but there are some areas where government has an ongoing annual funding agreement with service delivery NGOs. I will give examples of that — of organizations like Challenge, Many Rivers, Kaushee's Place, Help and Hope — those types of entities that, while the funding agreements themselves in some cases may require annual approval, the nature of government's relationship with those NGOs tends to be one of an ongoing service.

The second main category that strikes me in terms of government funding for NGOs is those that may be frequent or repeat but are not necessarily an ongoing service delivery relationship — or perhaps I should amend that first category to note service delivery includes things like ongoing contributions to sporting entities.

The third category that I would personally classify it into would be then those more one-time agreements that might occur more than once, but are effectively a one-off project application or a funding application through measures such as CDF.

Circling back, my question after that fairly long explanation is: Are you envisioning the policy evaluating those transfer agreements and contracts differently because of either the categories I listed or some other classification or largely evaluating them all in the same sort of manner despite differences between those categories?

Ms. White: Again, I will thank you for the question. You have articulated the challenge in having a corporate policy that applies to small, medium, large and everything in between quite well. We don't envision having departments use standard performance indicators or standard policy as a one-size-fits-all solution. We have what we would call a "principle based" policy in the transfer payment policy. As you have identified, there is no one indicator that can range with — you know, activities that range from hosting an event to client-focused services.

So what we would be looking at now would be giving guidance in these types of situations. We hadn't broken it down in exactly the way that has been identified, but certainly the complexity of the transfer payment agreement, which is I think what you were alluding to, with the three categories is something that we will consider in developing that policy and providing additional guidance to departments, because it is not our intention to add more bureaucratic paperwork to ourselves, to our partners in departments or to the societies to benefit from funding and, in turn, provide services or other activities for Yukoners at large.

We would certainly be looking at varying levels of complexity in terms of measurement, not unlike what you heard from Community Services this morning in their checklist, where they look at many of the elements that you described in your question, sir. We are not planning on coming with a top-down "thou shalt" in all circumstances. We are planning on having something that is flexible enough to work for all departments going forward.

Ms. Hanson: Thank you, Mr. Chair. I just have a two-part follow-up with respect to the response that was given when the question was asked about the status of policy changes and development and implementation of plans.

This afternoon, in the opening remarks, we heard that government transfers totalled over $340 million — about 20 percent of the budget — and 12 percent of all transfers are to societies, equalling about $40 million. So I look at the audit, which was tabled in the Legislature in March 2017, and knowing that departments — the Department of Finance and ECO — responsible for these overarching policies have worked with the Auditor General for a number of months preceding that and have agreed to these recommendations many months before the report was tabled, my question is: Why does it take 20 months from when it is tabled to actually see a resulting policy? Twenty months — so if you go backward, we're talking about numerous years by then. So that is one question and the second part of that question: Given that November 2018 is the target now, as stated and agreed to, what is the target for rolling out the actual implementation plan and the commencement of training on this new policy?

Ms. White: All phases of the recommendations will be completed by fall 2018. The first phase — and I apologize for my lack of clarity in my previous answer — as my colleague, Pamela Muir, has stated, will be completed this fall. So the first phase of eliminating the duplication and providing some clarity of definitions will be done by this fall and the evaluation policy will be the following fall. One of the reasons that it takes so long is that it does take a little bit longer to develop a robust policy and test it than it does to do the initial phases of the work plan that we have indicated.

As I said in my opening statement, we tried to take a phased approach that would pick up the low-hanging fruit first and get rid of the contradictions.

As has come through in many of the questions so far, the evaluation policy is rather complex because we are dealing with everything from hosting an event to maybe providing counselling services to folks. The other major project that we have happening in the Department of Finance is the reorganization that will address some of the concerns that have been identified. One of the reasons for the timing delay is also to build and gain support for that reorganization and to ensure government was on board with that plan moving forward.

Mr. Cathers: I just have a follow-up question on that, in thinking of the types of transfers. I don't know if I'm asking a question that you may not have gotten to the stage of being able to answer, but when it comes to an evaluation policy for transfers, how do you foresee evaluating the success of a contribution to an NGO that originates from a political

commitment? For example, hosting the Arctic Winter Games, which is primarily a political-level decision, or I'll give an example of one that — we, prior to the last mandate, had made a specific commitment to increase funding for the Fireweed Community Market. How do you set in place useful evaluation criteria to determine whether the objective has been met when the decision was based on a platform or other political commitment made by government?

Ms. White: Regardless of the source of the commitment or what started the initial dialogue with the society that will be carrying out whatever function is deemed appropriate between the two parties, the objectives have to be worked out between the public service and the transfer payment agreement recipient. The way that we envision holding to account, or evaluating whether the objectives have been met, is by being very clear about what those objectives are as we sign, or as we ink, the transfer payment agreement, if you will.

It would be unacceptable in a transfer payment spot check if the Department of Finance found political commitment in the objective line. That would not be sufficient to meet the FAM 5.9 criteria. Again, just to be clear on the answer, it's through clear objectives contained in the actual funding agreement that we're able to evaluate the success of the transfer payment.

Mr. Hutton: My colleagues have done such an excellent job asking questions, and the witnesses across have done a marvellous job of answering them, that all the questions I had have been answered at this point. Thank you very much for your appearance here this afternoon.

Chair: Are there any other questions from any other Committee members?

With that, I will thank you very much for your time here today. I appreciate your work and honesty in answering the questions. We will reconvene tomorrow morning at 10:00. Thank you very much.

The Committee adjourned at 2:23 p.m.

GOVERNMENT TRANSFERS TO SOCIETIES – YUKON

COMMUNITY SERVICE STATUS REPORT

JUNE 2017

Yukon
Community Services

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INTRODUCTION

The purpose of this report is to provide a status report for the Department of Community Services' progress on the 2017 March Report of the Auditor General of Canada on Government Transfers to Societies.

The audit contained three recommendations for Community Services. Community Services' responses were included in the final audit report which contained commitments that would be in place by April 1st, 2017. In all cases, the Department has met the commitments and addressed the recommendations in the audit.

THE POLICIES FOR MANAGING GOVERNMENT TRANSFERS CONTAINED CONTRADICTIONS AND UNDEFINED CONCEPTS

OFFICE OF AUDITOR GENERAL REPORT:

What we found

20. We found that the policies for managing government transfers to societies contained concepts that were contradictory or undefined.

21. Our analysis supporting this finding presents what we examined and discusses

- core versus operational funding, and
- Good standing.

25. **Core versus operational funding**. Department officials must consult both the 1998 NGO Funding Policy and the 2008 Government Transfers Policy when deciding to fund a society. According to both policies, the government can provide operational funding to societies. However, we found that the policies described different activities that qualified for operational funding. The 1998 policy states that to receive government funding for general or "operational" purposes, societies must specify the project, service, or function that will be performed as a result. The 2008 policy defines operational funding more broadly—as funding that is directed to an organization's operations as a whole rather than to particular projects, or that supports a particular program, department, or division within an organization. The discrepancy between the narrow definition in the 1998 policy and the broader definition in the 2008 policy may cause confusion about the types of activities that operational funding can support.

31. Recommendation. The **Department of Finance** and the **Executive Council Office** should work together—and consult with other departments, as necessary—to review the 1998 NGO Funding Policy in the General Administration Manual and the 2008 Government Transfers Policy in the Financial Administration Manual. They should resolve contradictions in the policies and define key policy concepts.

COMMUNITY SERVICES UPDATE:

25 Core versus operational funding:

Although the recommendation didn't specifically address Community Services within the recommendation; our department has addressed "Core versus operational funding".

In practice Community Services follows chapter 5.9, Government Transfers, of the Financial Administration Manual when creating and managing Transfer Payment Agreements (TPAs). The term "Operational Funding" is used more often than "core funding". Although, there were some older agreements with the term "core funding", all new agreements are creating using the term "operational funding".

A four month review process (June – September 2016) of all new TPAs was conducted to identify whether the agreements captured the correctly scope of work to meet the definition of operational funding needs (versus project funding).

Community Services has newly created a SharePoint site to assist officers within the Department with financial, contracting and administration operations. Standardized templates, forms, tips and tricks, and processes are found there which provides staff with a consistent resource when creating and administering TPAs (among a myriad of other things.) Additionally, a systematic review of TPAs will be implemented department wide.

DEPARTMENTS DID NOT ALWAYS COMPLY WITH KEY POLICY REQUIREMENTS

OFFICE OF AUDITOR GENERAL REPORT:

What we found

32. We found that the departments did not always comply with key policy requirements.

33. Our analysis supporting this finding presents what we examined and discusses

- installments and advance payments,
- verification of legal reporting requirements,
- outstanding debt,
- government transfers versus contracts, and
- other expense" classification.

37. **Installments and advance payments.** The 2008 Government Transfers Policy states that government transfers are to be made with due regard for both the government's cash management practices and the recipient's cash flow requirements. This means that departments cannot always pay a society the full amount of the transfer up front, but must instead follow the policy guidelines, which can require multiple payments.

39. The sample included 31 government transfers in which advance payments were considered necessary to fund a specific project. We found that in 28 of these cases, the advance payments complied with policy or program guidelines. We found that advance payments did not meet the relevant guidelines in 1 government transfer provided by the Department of Economic Development, and in 2 government transfers provided by the Department of Community Services.

40. **Verification of legal reporting requirements**. The 2008 Government Transfers Policy states that before deciding to fund a society, a department should consult the Registrar, verify the organization's correct legal name, and ensure that the organization is in good standing. However, as noted in paragraph 30, the policy does not define the term "good standing." The Department of Finance told us that being in good standing means that a society is in compliance with all reporting requirements laid out under the Societies Act and its regulations.

42. For 38 of the 53 government transfers we sampled, we found no documentation indicating that before the departments decided to provide the transfers, they had verified with the Registrar that societies were in compliance with legal reporting requirements:

For the Department of Community Services, we found no evidence for any of the 34 government transfers we examined that the Department had verified that the societies were in compliance with their legal reporting requirements.

44. **Outstanding debt**. The 2008 Government Transfers Policy states that departments must determine whether prospective recipients of government transfers owe any money to the Government of Yukon and that an organization with outstanding debts to the government should not receive funding from the government.

45. We examined whether the government transfers in our sample included affirmations that the prospective recipients did not owe money to the government:

- For the Department of Community Services, we found no evidence in 9 of the 34 government transfers in our sample that societies had affirmed that they did not owe money to the Government of Yukon.

46. **Government transfers versus contracts**. The 2008 Government Transfers Policy states that departments must examine all potential funding agreements and decide whether a government transfer is

the right funding mechanism to use, or whether another vehicle, such as a goods and services contract, would be more appropriate. According to the policy, if the government is acquiring goods, services, or an asset directly in return for resources, the agreement must be classified as a goods and services contract. The 2008 policy also states that the use of contracts may sometimes be necessary if the government acquires goods or services as a by-product of the agreement.

47. We found that in 8 of the 53 government transfers sampled—5 from the Department of Community Services and 3 from the Department of Energy, Mines and Resources—the funding provided to societies resulted in the government's acquiring a direct benefit, such as goods or services. For example, one society received about $5,000 to install signs and perform maintenance for pools owned by the Government of Yukon. In our opinion, contracts rather than government transfers might have been the appropriate mechanism.

50. **"Other expense" classification**. In 2011, the Mountain View Golf Club received a $750,000 payment through an agreement from the Government of Yukon. This payment was originally classified as a government transfer. At the end of the 2010–11 fiscal year, the payment was reclassified as an "other expense." Although we found that the payment was properly authorized from a financial perspective, we could not determine which other policy requirements were met for this transaction. Departments need to follow rules when spending public funds, so that they manage them with appropriate accountability and control.

51. **Recommendation**. The Department of Community Services and the Department of Energy, Mines and Resources should comply with policy requirements for government transfers, including verifying a society's compliance with its legal reporting requirements, determining that a society does not have any outstanding debts to the government, and determining when to use a government transfer instead of a goods and services contract.

The Department of Community Services' response. Agreed. The Department of Community Services will better comply with policy requirements related to government transfers by

- ***ensuring that documentation is saved in the agreement file demonstrating the society's compliance with the Societies Act,***
- ***including a statement from the society that there are no outstanding debts to the Government of Yukon by either revising the application form for the funding programs or by adding a clause into the transfer agreement attesting to that fact, and***
- ***Developing guidelines that will be available to all staff by publishing on the internal website and offering training sessions to target groups on how to decide whether to use a government transfer or a contract.***

This work will be completed by 1 April 2017.

COMMUNITY SERVICES UPDATE:

37 Installments and advance payments:
Under the Financial Administration Manual, advance payments and cash management requirements for TPAs differ between agreements that are deemed "operational funding" and "project funding". Community Services' SharePoint site includes information to assist officers on how to interpret the difference between operational and project funding which will help them to determine when advance payments can be made in accordance with the policy.

A newly created reference/checklist document is now a mandatory requirement for all TPAs generated within the Department. This screen shot below is part two of the "Contribution/Transfer Payment Agreement Checklist" document which must be filled out and put on the the TPA file. (see checklist below)
The terms of payment (Schedule C) of low risk and med/high risk transfer payment templates have also been revised to capture the requirement of substantiated funding needs; by way of cash flow reporting identified within the FAM. See below for a screen shot of the new initial advance and subsequent payment working.

Transfer Payment Agreements - Budgets and Cashflows

Need some help understanding how to incorporate Budgets and Cashflow into your Transfer Payment Agreement??

The chart below will assist with determining if your TPA is operational or project based and then how you should layout your payment terms (Schedule C within the Transfer Payment Agreement)

OPERATIONAL FUNDING

Funding directed to an organization's operations as a whole rather than to particular projects. If an organization has separate programs, departments or divisions, support for a particular program is also considered to be operational funding.

Operational funding must be paid in installments corresponding to the estimated cash flow requirements of the recipient. The minimum number of installment payments is determined according to the total value of the operational funding and risk.

Total Value of Annual Funding	Minimum Number of Payments	Initial Advance	Subsequent Advance/Payments
Up to $75,000	At least One Payment	Payment made upon signature of TPA and required documents listed in TPA	
$75,001 to $150,000	At least Two Payments	Estimated cash flow requirements of the recipient Recipient to provide an estimated cash flow substantiating need	Interim payments not to exceed 90% of funding approved and interim financial summary of expenditures from previous advance(s) required
Over $150,000	At least Four Payments		Final payment to be payable upon submission of final report (high risk TPA)

TERM OF AGREEMENT

The term of the agreement is to include the program/project term as well as the reporting term

(Example April 1, 2017 to May 31, 2018)

Project Phase - Represents the period of time which all eligible expenditures for the program/project may be accepted
(Example April 1, 2017 to March 31, 2018)

Reporting Phase - Represents the time given to allow the recipient to submit their final (financial and/or project) report. This given time is based on what the project manager feels is appropriate for the recipient
(Example April 1, 2018 to May 31, 2018)

PROJECT FUNDING

Funding support directed to a specific project which has a start and an end date.

Project funding is normally paid on the basis of performance or as reimbursement of expenditures incurred. Where advance payments are necessary they should be limited to the immediate cash flow requirements of the recipient and must not exceed the following percentage of total value of the funding and risk matrix.

Total Value of Funding	DURATION OF AGREEMENT (Project Phase)			
	Less than 4 months		4 months or longer	
	Initial Advance	Subsequent Advance/Payments	Initial Advance	Subsequent Advance/Payments
Up to $10,000	Up to 100%	n/a	Up to 80%	Balance payable upon receipt and acceptance of final report
$10,001 to $100,000	Up to 75%		Estimated cash flow requirement for the first 4 months • payment amount is based on amount of estimated cash flow for first 4 month period	Every 4 months based on estimated cash flow requirement for the following 4 months. • interim payments not to exceed 90% of funding approved and interim financial summary of expenditures from previous advance(s) required • final payment to be payable upon submission of final report (high risk TPA) • payment amount is based on amount of estimated cash flow
Over $100,001	Up to 50%	Balance is payable upon receipt an acceptance of final report		

See below for more information on how the budget and cash flow should look and include within the Transfer Payment Agreement

Low and Schedule

Schedule C
Terms of Payment

Med/High Risk C template

C1.0 Funds

C1.1 First payment to the recipient upon signature of the Agreement supported by a projected cash flow from the recipient as outlined in Schedule B (B1.1.2) substantiating need for the funding and a written statement that there are no monies owed to Yukon Government.

C1.2 Interim payment to the recipient upon receipt of interim report and deliverables as outlined in;
1. Section 6.0 Financial Accountability Reporting
2. Section 8.0 Project Reporting
3. Schedule B (B1.1.2 & B1.1.3) Cash Flow; substantiating need for further payment

Insert if high risk TPA / remove if medium risk
C1.3 Final payment to the recipient, whichever is lessor, minus amounts paid in C1.1 and C1.2 on recipient of all final reports as outlined in;
1. Section 6.0 Financial Accountability Reporting, substantiating all payments
2. Section 8.0 Project Reporting

Yukon
Community Services

CONTRIBUTION/TRANSFER PAYMENT AGREEMENT CHECKLIST (Mandate and Risk Assessment)

PAYMENT SCHEDULE AND CASH FLOW REQUIREMENTS (minimum requirements)

NO advance payment in excess of $10,000 shall be made to a recipient in one fiscal year when the related expenditures of the recipient are not likely to be incurred until the following fiscal year. Advances required for the expenditures that are to be incurred in the following fiscal year must be issued as of April 1 and charged to an appropriation in the new fiscal year.

Operational Funding is funding directed to an organization's operations as a whole rather than to particular projects. If an organization has separate programs, departments or divisions, support for a particular program is also considered to be operational funding.

Note: Operational funding must be paid in installments corresponding to the estimated cash flow requirements of the recipient. The minimum number of installment payments is determined according to the total value of the operational funding and risk matrix
It is encouraged to include a holdback on all TPA's which fall into the high risk category

Check one ↓	Total Value of Annual Funding	Minimum Number of Payments	Initial Advance	Subsequent Advances/Payments
☐	Up to $75,000	At least One Payment	Payment made upon signature of TPA and required documents listed in TPA	
☐	$75,001 to $150,000	At least Two Payments	Estimated cash flow requirements of the recipient *Proponent to provide an estimated cash flow substantiating need*	Interim payments not to exceed 90% of funding approved and interim financial summary of expenditures from previous advance(s) required Final payment to be payable upon submission of final report (High Risk TPA)
☐	Over $150,000	At least Four Payments		

Project Funding is support directed to a specific project which has a start and an end date.

Note: Project funding is normally paid on the basis of performance or as reimbursement of expenditures incurred. Where advance payments are necessary, they should be limited to the immediate cash flow requirements of the recipient and must not exceed the following percentage of total value of the funding and risk matrix.
It is encouraged to include a holdback on all TPA's which fall into the high risk category

Check one ↓	Total Value of Funding	↓ DURATION OF AGREEMENT			
		Less than 4 months (Project Phase)		4 months or longer (Project Phase)	
		Initial Advance	Subsequent Advances/Payments	Initial Advance	Subsequent Advances/Payments
☐	Up to $10,000	Up to 100%	n/a	Up to 90%	Balance payable upon receipt and acceptance of final report
☐	$10,001 to $100,000	Up to 75%	Balance payable upon receipt an acceptance of final report	Estimated cash flow requirement for the first 4 months *Notes:* *- payment amount is based on amount of estimated cash flow for first 4 month period*	Every 4 months based on estimated cash flow requirement for the following 4 months. *Notes:* *- interim payments not to exceed 90% of funding approved and interim financial summary of expenditures from previous advance(s) required* *- final payment to be payable upon submission of final report (high risk TPA)* *- payment amount is based on amount of estimated cash flow*
☐	Over $100,001	Up to 50%			

40 Verification of legal reporting requirements:
It has been a long-standing practice of Community Services to check the Corporate Registry System prior to entering into an agreement with recipients; however this was done visually and documentation wasn't previously included in the agreement file. As of April 1st 2017, it is now a requirement to save a copy of the certificate from the Yukon Corporate Online Registry (YCOR) showing the society is in compliance with the Societies Act in the file. (See example of the instructions from the Sharepoint site)

Yukon Community Services

DOCUMENTS TO UPLOAD IN FRONTEND FINANCIAL SYSTEM

TRANSFER PAYMENT AGREEMENT
• TPA Mandate and Risk Assessment (signed) • Final working copy of TPA agreement (Long Form, Short Form with Schedules) • Work plan if added as an appendix to the TPA • Budget if added as an appendix to the TPA • Any other supporting documentation which is referenced in the TPA • Signed Section 24 • YCOR – if Yukon Business, or proof of business status if out of territory (Federally or within their own jurisdiction) • Signed complete TPA (entire package not just the signed page)
AMENDMENT/ADDENDUM
• Documented communication (between recipient and YG) of need for amendment/addendum • Final working copy of Amendment TPA agreement • Signed Section 24 • YCOR – if Yukon Business, or proof of business status if out of territory (Federally or within their own jurisdiction) • Signed complete Amendment TPA (entire package not just the signed page)

44 Outstanding debt:
Community Services has modified the TPA templates to include a clause which the recipient must provide written documentation (email) to CS identifying if they owe money to YG before they receive first payment. This also includes funding program agreements the sport and recreation agreements for Yukon Recreation Advisory Council (YRAC) funding, High Performance (HP) funding and Yukon Sport for Life (YS4L) funding.

As of January 2017 Community Services has required all officers to contact in writing the Department of Finance (Manager, Accounts Receivable) to confirm debt owed of recipient. This confirmation is then added to the TPA.

TPA Schedule C

Schedule C
Terms of Payment

C1.0 Funds

C1.1 First payment to the recipient upon signature of the Agreement supported by a projected cash flow from the recipient as outlined in Schedule B (B1 1 2) substantiating need for the funding and a written statement that there are no monies owed to Yukon Government

Screen shot of YRAC, YS4L and HP letter/TPA from Sport and Rec identifying outstanding debt.

The **RECIPEINT** agrees to use the funding provided for the specified purpose, and in accordance with the terms and conditions set out in this Application/Agreement

a) The Recipeint hereby certifies that there are no monies currently owed to Yukon Governmant from this Organization.

b) The Recipient's performance under this Application/Agreement may be used by YG in evaluating future requests for funding.

Note: Page 1 and 2 must be signed and returned to the Sport and Recreation Branch Office

SIGNATURE OF RECIPIENT OR OFFICER	PRINT NAME/POSITION	DATE

YUKON GOVERNMENT (Certified pursuant to section 23 (contracting authority) of the *Financial Admnistration Act*

Karen Thomson	Karen Thomson, Director YG Sport and Recreation Branch	[INSERT DATE OF LETTER]
SIGNATURE OF PUBLIC OFFICER	PRINT NAME/POSITION	DATE

STANDARD TERMS AND CONDITIONS

46 Government transfers versus contracts

Community Services has created a decision tree (also on the SharePoint site) to assist officers in identifying the difference between using a transfer payment agreement or a contract. Below is a screen shot of the information provided on the Procurement and Transfer Payment Agreement page of the site.

Community Services has held strategic procurement sessions with several branches, taking the opportunity to educate them on some of the new changes and requirements going forward and as a result of this audit. Further training sessions are planned throughout the 2017/18 fiscal year. The portion is only one area of a larger training plan for the department.

Procurement and Transfer Payment SharePoint site page

TRANSFER PAYMENT AGREEMENTS (TPA)

Use a TPA in the following circumstances:

- transfer funds to recipient from a funding program which may be application based
  transfer funds to recipient which is generally a non-profit organizations in which we are contributing to expenditures and such contributions is "reasonable"
- There is no direct exchange of goods/services (YG doesn't receive anything other than a "token")
- YG is contributing to a venture with identifable "direct/relevant/opportunity/mangnal" costs (NOT indirect or costs/overhead)
- Subsidy, incentive, contribution to a capital project, something "special" that YG wants to see happen for the benefit of Yukon
- Capacity: Non-profit has its own capacity to manage the project and will not contract out a "significant" part of the project to a 3rd party

Examples of TPA:
Sporting Games Funding, Funding Programs (Gas Tax, Yukon Recreation Assistance Grant), Operational Funding (Community Libraries Funding, Recycling Depot Funding)

CONTRACTS/REQUISITIONS

Use a contract in the following circumstances:

- Generally for "profit" (with exceptions)
- YG receives the best value for money spent on contracts.
- YG receives equal value of goods/services in exchange for the money provided even if the transaction may benefit the contracting 3rd party.
- YG directly receives goods and services
- quote or proposal needed
- invoicing by the contracting party can be assumed to include a profit margin for the entity

Examples of Contracts:
Tangible Goods for YG, Studies or Reports, Project Management, Advertising, Products which display YG logo

Contracting Tools: Aquisition Card, Convienence Contract, Local Purchase Order, Contract, Requistion

TIPS / SPEC WRITING

50: "Other expense" classification

Contracts and Transfers payments agreements are the two most common vehicles for flowing expenditures. On rare occasions, there are transactions that don't neatly fit into either definition. The Mountain View Golf Course transaction is one of the rare exceptions. Community Services required the land for future bioswale and the potential for an additional 200 lots for development and sale. Department of Energy Mines and

Resources (EMR) determines the prices and land tenure. This transaction and agreement was reviewed and approved by legal services and all signing authorities were complied with.

This transaction was picked up in this audit because a clerical error had been made originally coding the transaction to a TPA code looking at the format of the agreement rather than the substance of it. The coding error was later corrected in the year.

DEPARTMENTS DID NOT CONSISTENTLY USE A RISK-BASED APPROACH IN MANAGING GOVERNMENT TRANSFERS

OFFICE OF AUDITOR GENERAL REPORT:

What we found

52. We found that a risk-based approach was not always used in managing government transfers.

53. Our analysis supporting this finding presents what we examined and discusses

- Risk assessment.

57. **Risk assessment.** The 2008 Government Transfers Policy states that departments must use a risk-based approach to managing government transfer requests. Risk assessments should measure the risks associated with a particular project or funding proposal. They also determine the capacity of the recipient to fulfill the requirements of the agreement. Completed and documented assessments of both project and capacity risks are intended to help determine the nature and extent of a funding agreement's terms and conditions, and to help determine the level of monitoring needed throughout the funding period.

58. Most of the government transfers we examined had not had assessments carried out for both project and capacity risks. We found that across the three departments, 32 of the 53 government transfers (60 percent) had no documented risk assessments:

- The Department of Community Services had no documented risk assessment for 21 of 34 government transfers (62 percent). The 21 transfers without a documented risk assessment had a total value of about $2 million in approved funds. For the 13 risk assessments conducted, we found that all 13 were assigned a low risk level.

62. **Recommendation.** The Department of Community Services, the Department of Economic Development, and the Department of Energy, Mines and Resources should consistently use a risk-based approach in their assessments of all funding requests. The departments should adequately document both project and capacity risk for government transfers and include funding agreement provisions, monitoring requirements, and other elements that reflect the level of risk identified.

The Department of Community Services' response. Agreed. When considering a funding agreement, the Department of Community Services will more methodically apply a risk-based approach that is consistent with the 2008 Government Transfers Policy in the Financial Administration Manual. Specifically, the Department of Community Services will implement a risk assessment with an overall score for both project risk and recipient risk. Scores of low, medium, or high risk will be reflected in the terms and conditions of the agreement to ensure that issues of risk are identified, and that deliverables are monitored as the project unfolds. This documentation will be saved in each agreement file and will be implemented by 1 April 2017.

COMMUNITY SERVICES UPDATE:

The newly created TPA checklist also includes a risk assessment matrix. It forces program officers to document the assessed risk for both funding levels: amount; complexity; sensitivity as perceived by the public and recipient capacity: credibility and track record; size, capacity and sophistication; community support; skills, experience and expertise in achieving goals; project management skills; accounting and record keeping skills and any foreseeable constraints. Once the risk matrix is completed, it leads the officer to which TPA template to use (low risk or med/high risk). Again, this form must be included in the TPA file. This form is available on the SharePoint site in a PDF fillable format. This document is filled out by the officer and then signed by two public officers (officer and their supervisor).

The med/high risk TPA template will be designed to commensurate, mitigate and address the identified risks.

Documentation of Risk Assessment / Decision making

RISK ASSESSMENT MATRIX											
Risk level↓	PART A - FUNDING			PART B – RECIPIENT CAPACITY							ADD EACH ROW ↓
	Money involved	Complexity	Sensitivity as perceived by the public	Credibility and Track record	Size, Capacities, Sophistication	Community Support	Skills, Experience, Expertise for achieving project goals	Project management skill	Accounting and Record management skills	No events could prevent achieving project's objectives	
Low											0
Med											0
High											0
Low = 1 point per check mark 10-15 points = LOW RISK			Med = 5 points per check mark 16-50 Points = MEDIUM RISK			High = 10 points per check mark 51-100 points= HIGH RISK				TOTAL POINTS (A+B)	0

PART C – ASSESSMENT RESULT BASED ON PART A+B			
☐	Low Risk [Short Form TPA] Up to $50,000	Low risk – Low risk funding agreements would entail standard terms and conditions that apply to all agreements with minimal reporting requirements.	• Established clientele • Small Projects
☐	Low to Medium Risk $50,001 - $100,000 (guideline)	Low risk – Low risk funding agreements would entail standard terms and conditions that apply to all agreements with minimal reporting requirements. Medium risk – At this level of risk, the outputs are measurable and the reporting requirements are aimed at providing evidence that funds were expended on the tasks. Certain interim terms and conditions may have to be met during the life of the project and before the final payment is made.	Short Form – • Minimum 3 consecutive years of previous TPA's with branch; with objectives fully met. • If annual funding amount in multi-year TPA is less than $30,000 Long Form – • Less than 3 consecutive years of previous TPA's with branch • No previous TPA with branch • If annual funding amount in multi-year TPA is more than $30,000
☐	High Risk [Long Form TPA] Over $100,000 (guideline)	Medium to high risk – The concerns for this level of funding should be the identification of the performance measures, expected results and outcomes. The programming may be more complex and performance information requirements more extensive. In some cases, non-audited financial statements prepared by an independent accountant and/or audited financial statements of the project would be required after project completion. High risk – The concerns at this level should be the execution of the project and its evaluation upon completion. A high risk project and high risk recipient should be monitored closely, e.g. frequent accounting and reporting requirements, monthly progress reports, on-site inspection by program officers, etc.	

DEPARTMENTS DID NOT FULLY IMPLEMENT A RESULTS-BASED APPROACH

OFFICE OF AUDITOR GENERAL REPORT

What we found

75. We found that the Department of Economic Development and the Department of Energy, Mines and Resources assessed and documented whether the objectives of government transfers had been met. We found that the Department of Community Services did not always assess and document whether the objectives of government transfers had been met. We also found that the Executive Council Office had not developed a corporate evaluation policy to allow departments to measure results at the program level.

76. Our analysis supporting this finding presents what we examined and discusses

- program-level results, and
- Funding-agreement-level results.

Analysis to support this finding

85. **Funding-agreement-level results**. The 2008 Government Transfers Policy states that the results-based approach must also be considered at the funding-agreement level. Departments must demonstrate that results of both program and single-recipient government transfers have been achieved.

87. At the Department of Community Services, we found that of the 23 government transfers for the Yukon Recreation Advisory Committee and Yukon Sport for Life programs, 3 government transfers did not include documentation provided by the recipient on whether the objectives were met. We also found that 11 of the 23 government transfers did not include a program officer's documented assessment of whether the project's objectives had been met. For 1 of these government transfers, neither the recipient nor the program officer had documented whether the objectives had been met.

88. Of 17 government transfers made outside funding programs across all three departments, 4 did not include evidence of review by a program officer to determine whether the project's objectives had been met. Of these 4 government transfers, which were single-recipient funding agreements, 3 were funded by the Department of Community Services and 1 was funded by the Department of Economic Development. Without a review by a program officer, a department does not know whether the society met the key deliverables required to achieve the objectives of the government transfer.

90. **Recommendation**. The Department of Community Services should put mechanisms in place to systematically review government transfers to determine and document whether their goals and objectives have been met.

The Department of Community Services' response. Agreed. The Department of Community Services will require recipients to complete a final evaluation to document whether the objectives of the program or project have been met as part of the agreement's final deliverables. The Department will also require program officers to complete a post-assessment report to confirm that the objectives of the program or project have been met. This requirement will be in place by 1 April 2017.

COMMUNITY SERVICES UPDATE:

An accountability reporting form was created for officers to document and assess whether or not objectives were met at the end of the agreement. To assist officers in evaluating the results, the TPA checklist includes identifying these goals so branches can link specific mandate goal(s) to the purpose of the funding prior to creating the agreement. The TPA templates were also revised to clearly identify the mandate and goals at the outset.

Community Services is currently analyzing the department's transfers and working on creating a systematic review process to determine whether goals and objectives have been met. A template form will be created to provide a consistent approach department wide and include evaluation criteria. As most agreements have a April 1-March 31 term evaluations following the new process will be conducted in 2018.

It is Community Services' practice to require recipients to complete a final report which is saved in the agreement file.

Documentation of Business Plan/Mandate which will be identified in TPA

Yukon
Community Services

CONTRIBUTION/TRANSFER PAYMENT AGREEMENT CHECKLIST (Mandate and Risk Assessment)

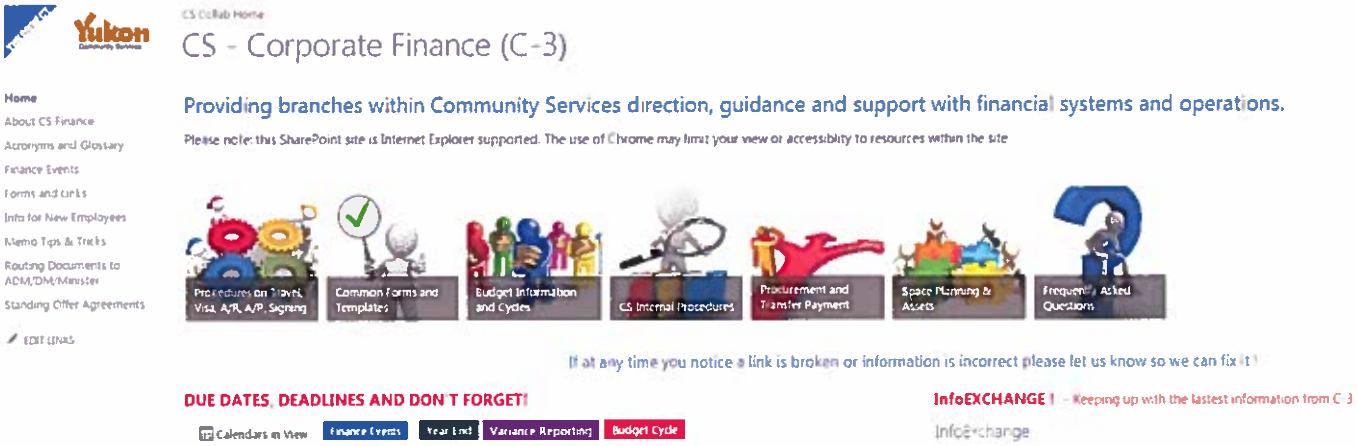
This checklist must be provided with each new TPA; a signed copy should be included in the paper file of the TPA and it should also be uploaded in Front End

RECIPIENT / FRONT END INFORMATION			
Recipient:		**Funding Amount**	
☐ Capital ☐ O&M	☐ Operational ☐ Project	**Term Dates** (include reporting phase)	**From:** **To:**
Title:			
Financial Coding:			
Submitted by: (Consultant):		**Date:**	

BRANCH BUSINESS PLAN / MANDATE Indicate what areas of the branch mandate will be addressed with this TPA	
Corporate - these mandate goals should be identified specifically in the TPA background/description for the funding. Look at your mandate and list which mandate goals the TPA will identify/address	
☐	
☐	

Appendix A - Community Services new Financial SharePoint Site

Link: https://yukonnect.gov.yk.ca/collab/cs-c1/finance/_layouts/15/start.aspx#/SitePages/Home.aspx



Appendix B – Transfer Payment Agreement Checklist

Front side:

Yukon Community Services

CONTRIBUTION/TRANSFER PAYMENT AGREEMENT CHECKLIST (Mandate and Risk Assessment)

This checklist must be provided with each new TPA; a signed copy should be included in the paper file of the TPA and it should also be uploaded in Front End

RECIPIENT / FRONT END INFORMATION

Recipient:		Funding Amount	
☐ Capital ☐ O&M	☐ Operational ☐ Project	Term Dates (Include reporting phase)	From: To:
Title:			
Financial Coding:			
Submitted by: (Consultant):		Date:	

BRANCH BUSINESS PLAN / MANDATE

Indicate what areas of the branch mandate will be addressed with this TPA

Corporate - these mandate goals should be identified specifically in the TPA background/description for the funding. Look at your mandate and list which mandate goals the TPA will identify/address

☐	
☐	
☐	
☐	

RISK ASSESSMENT MATRIX

Risk level↓	PART A - FUNDING			PART B – RECIPIENT CAPACITY							ADD EACH ROW ↓
	Money involved	Complexity	Sensitivity as perceived by the public	Credibility and Track record	Size, Capacities, Sophistication	Community Support	Skills, Experience, Expertise for achieving project goals	Project management skill	Accounting and Record management skills	No events could prevent achieving project's objectives	
Low											0
Med											0
High											0
Low = 1 point per check mark 10-15 points = LOW RISK				Med = 5 points per check mark 16-50 Points = MEDIUM RISK			High = 10 points per check mark 51-100 points= HIGH RISK			TOTAL POINTS (A+B)	0

PART C – ASSESSMENT RESULT BASED ON PART A+B

☐	Low Risk [Short Form TPA] Up to $50,000	Low risk – Low risk funding agreements would entail standard terms and conditions that apply to all agreements with minimal reporting requirements.	• Established clientele • Small Projects
☐	Low to Medium Risk $50,001 - $100,000 (Updated)	Low risk – Low risk funding agreements would entail standard terms and conditions that apply to all agreements with minimal reporting requirements. Medium risk – At this level of risk, the outputs are measurable and the reporting requirements are aimed at providing evidence that funds were expended on the tasks. Certain interim terms and conditions may have to be met during the life of the project and before the final payment is made.	Short Form – • Minimum 3 consecutive years of previous TPA's with branch, with objectives fully met. • If annual funding amount in multi-year TPA is less than $30,000 Long Form – • Less than 3 consecutive years of previous TPA's with branch • No previous TPA with branch • If annual funding amount in multi-year TPA is more than $30,000
☐	High Risk [Long Form TPA] Over $100,000 (Updated)	Medium to high risk – The concerns for this level of funding should be the identification of the performance measures, expected results and outcomes. The programming may be more complex and performance information requirements more extensive. In some cases, non-audited financial statements prepared by an independent accountant and/or audited financial statements of the project would be required after project completion. High risk – The concerns at this level should be the execution of the project and its evaluation upon completion. A high risk project and high risk recipient should be monitored closely, e.g. frequent accounting and reporting requirements, monthly progress reports, on-site inspection by program officers, etc.	

Back side:

Yukon

CONTRIBUTION/TRANSFER PAYMENT AGREEMENT CHECKLIST (Mandate and Risk Assessment)

PAYMENT SCHEDULE AND CASH FLOW REQUIREMENTS (minimum requirements)

NO advance payment in excess of $10,000 shall be made to a recipient in one fiscal year when the related expenditures of the recipient are not likely to be incurred until the following fiscal year. Advances required for the expenditures that are to be incurred in the following fiscal year must be issued as of April 1 and charged to an appropriation in the new fiscal year.

Operational Funding is funding directed to an organization's operations as a whole rather than to particular projects. If an organization has separate programs, departments or divisions, support for a particular program is also considered to be operational funding.

Note: Operational funding must be paid in installments corresponding to the estimated cash flow requirements of the recipient. The minimum number of installment payments is determined according to the total value of the operational funding and risk matrix
It is encouraged to include a holdback on all TPA's which fall into the high risk category

Check one ✓	Total Value of Annual Funding	Minimum Number of Payments	Initial Advance	Subsequent Advances/Payments
☐	Up to $75,000	At least One Payment	Payment made upon signature of TPA and required documents listed in TPA	
☐	$75,001 to $150,000	At least Two Payments	Estimated cash flow requirements of the recipient *Proponent to provide an estimated cash flow substantiating need*	Interim payments not to exceed 90% of funding approved and interim financial summary of expenditures from previous advance(s) required Final payment to be payable upon submission of final report (High Risk TPA)
☐	Over $150,000	At least Four Payments		

Project Funding is support directed to a specific project which has a start and an end date.

Note: Project funding is normally paid on the basis of performance or as reimbursement of expenditures incurred. Where advance payments are necessary, they should be limited to the immediate cash flow requirements of the recipient and must not exceed the following percentage of total value of the funding and risk matrix.
It is encouraged to include a holdback on all TPA's which fall into the high risk category

Check one ✓	Total Value of Funding	↓ DURATION OF AGREEMENT			
		Less than 4 months (Project Phase)		4 months or longer (Project Phase)	
		Initial Advance	Subsequent Advances/Payments	Initial Advance	Subsequent Advances/Payments
☐	Up to $10,000	Up to 100%	n/a	Up to 90%	Balance payable upon receipt and acceptance of final report
☐	$10,001 to $100,000	Up to 75%	Balance payable upon receipt an acceptance of final report	Estimated cash flow requirement for the first 4 months *Notes.* - *payment amount is based on amount of estimated cash flow for first 4 month period*	Every 4 months based on estimated cash flow requirement for the following 4 months. *Notes.* - *interim payments not to exceed 90% of funding approved and interim financial summary of expenditures from previous advance(s) required* - *final payment to be payable upon submission of final report (high risk TPA)* - *payment amount is based on amount of estimated cash flow*
☐	Over $100,001	Up to 50%			

Term of Agreement – The term of the agreement is to include the program/project term as well as the reporting phase of the agreement.

Program/Project Term – This represents the period of time which all eligible expenditures for the program/project may be accepted.

Reporting Phase – This represents the time given to allow the recipient to submit their final report. This given time is based on what the project/program manager feels is appropriate for the recipient.

CONSULTANT SIGNATURE: Date:	
Additional Comments:	
DIRECTOR SIGNATURE Date:	
Recipient in compliance with Corporate Affairs ☐ Yes ☐ No Owes no Money to YG ☐ Yes ☐ No	Finance /Office Admin Signature:
TPA #	

Office of the Auditor General

Government Transfers to Yukon Societies

STATUS REPORT
June 28, 2017

The OAG recommendations for Economic Development focused on risk assessment and included:

- Verifying a society is compliant with its legal reporting requirements; and
- Documenting and applying a consistent risk-based approach in assessments of funding requests and implementation of agreements.

In response to the OAG recommendations, Economic Development has enhanced and standardized its departmental procedures and risk assessment process.

The following documents have been introduced across the department and are in use by all program areas:

- Risk Assessment Matrix
- Transfer Payment Agreement Process Checklist (Program Areas)
- Transfer Payment Agreement Review Checklist (Finance Branch)
    - Completed and kept on file with TPA's

- Transfer Payment Agreement Payment Checklist
- Transfer Payment Agreement Reference Guide
    - Reference documents available to all departmental employees and added to relevant desk manuals

Economic Development Risk Assessment Matrix

Project ID:

Date:

	FACTOR	JUSTIFICATION OF RISK	RISK VALUE LOW RISK = 1 MEDIUM RISK = 2 HIGH RISK = 3	POSSIBLE METRICS
Project Risk	Dollar Value			*< 50k = low risk; $50k-$100k = medium risk; >$100k high risk*
Project Risk	Compexity of Project			*Necessary coordination among a number of partners & stakeholders, dependent sequencing of project activities*
Project Risk	Public Profile / Sensitivity			*Public or media awareness; could the project be controversial; market disruption* ***NOTE - Projects scoring medium to high must be referred to Communications Unit post funding decision (regardless if project is approved or denied)***
Recipient Risk	Credibility & Track Record of Recipient			*Front End Assessment; other succesful examples of project management by organization, ability to produce financial statements, regular audits*
Recipient Risk	Skills, Experience and Expertise of Project Management Team			*Expertise and capabilities of staff and other resources being applied to project (employees, consultants etc)*

Recipient Risk	Stability of Recipient			*CEO changes or HR turnover, Board Governance issues etc*
			0	*TOTAL RISK SCORE*
				OVERALL RISK CATEGORY (HIGH / MEDIUM / LOW)

Range of marks assuming 1, 2, 3 scoring system will result in 24 posible combinations and 13 possible overall marks ranging from 6-18

HIGH	18	6 HIGH
	17	5 HIGH, 1 MEDIUM
	16	4 HIGH, 2 MEDIUM
	15	3 HIGH, 3 MEDIUM *or* 4 HIGH, 1 MEDIUM, 1 LOW
MEDIUM	14	4 HIGH, 2 LOW *or* 3 HIGH, 2 MEDIUM, 1 LOW *or* 2 HIGH, 4 MEDIUM
	13	3 HIGH, 1 MEDIUM, 2 LOW *or* 2 HIGH, 3 MEDIUM, 1 LOW *or* 1 HIGH, 5 MEDIUM
	12	3 HIGH, 3 LOW *or* 2 HIGH, 2 MEDIUM, 2 LOW *or* 1 HIGH, four MEDIUM, 1 LOW
	11	5 MEDIUM, 1 LOW *or* 1 HIGH, 3 MEDIUM, 2 LOW
	10	4 MEDIUM, 2 LOW *or* 2 HIGH, 4 LOW
LOW	9	3 MEDIUM, 3 LOW *or* 1 HIGH, 1 MEDIUM, 4 LOW
	8	2 MEDIUM, 4 LOW *or* 1 HIGH, 5 LOW
	7	1 MEDIUM, 5 LOW
	6	6 LOW

Risk Assessment Completed By (print name):

SIGNATURE

Risk Assessment Reviewed By (print name):

SIGNATURE

RISK MITIGATION TO BE REFLECTED IN TPA SCHEDULES (increased reporting, reduced advance payment, etc.):

Yukon
Economic Development

CONTRIBUTION/TRANSFER PAYMENT AGREEMENT PROCESS CHECKLIST (PROGRAM AREAS)

	PRIOR TO PROJECT APPLICATION/FUNDING APPROVAL
☐	**Complete application risk assessment** (EcDev Risk Assessment Matrix) Officers/Advisors must ensure compliance with applicable funding program policies Completed matrix requires review and two signatures before project is created in EDFMS/Front End
☐	**Verify historical performance of client (via the 'All Agreements' tab in Front End)** Follow-up on agreements where objectives not met, (CDF assesses/documents on resume) If Agreement is funding program based ensure previous EDFMS projects are complete/closed
☐	**Create project online using EDFMS* and enter in Front End System** Vendor ID & Address must match in EDFMS and Front End **If Agreement is not funding program based it does not need to be entered into EDFMS*
☐	**Obtain project application/funding approval & get Front End commitment*** (Section 24) **signed based on Resume or detailed project description** Officers/Advisors must ensure compliance with applicable funding program policies (advance Advisory Committee recommendations, Jury process, Ministerial approval, etc.) **It's encouraged to get Section 24 (Commitment Authority) signed at this stage; however most of the time it gets sent when routed for approvals of agreement language*
	AFTER PROJECT APPLICATION/FUNDING APPROVED
☐	**Create Contribution Agreement** Funding Program TPA's are generated on departmental template LOW RISK template – used for NON funding program TPA's, must be low risk and under $50K MEDIUM-HIGH RISK template – used for all other NON funding program TPA's
☐	**SCHEDULES A/B/C reflect/mitigate project risk identified in Risk Matrix exercise and:** ○Agreement budget, total value & terms of payment comply with FAM and/or funding program policies ○Term for Advance/Initial payment requests "statement that there are no monies owed to Yukon Government" ○Fiscal year $ allocations for multi-year projects accurate and match EDFMS / Front End ○Detailed description provided for in-kind contributions ○All funding sources clearly identified ○Reporting requirements and/or client monitoring schedule clearly defined and in-line with project deliverables
☐	**Corp. Registries Search** https://ycor-reey.gov.yk.ca **For applicable recipients, verify status via the YG Corporate Registries Search site** **Good Standing Check = Active & In Compliance** **PRINT, DATE & INITIAL CERTIFICATE OF COMPLIANCE**
☐	**Send to FIM Project Analyst for review (email is quickest)** Once edits are complete agreement is ready to be routed for language approval if required or signatures
☐	**Route for approvals/signatures**
	ROUTING PROCESS
☐	**Obtain client signature**
☐	**Route for authorized Section 23 YG Signature** (same as Section 24/Commitment)
☐	**SUBMIT TO FIM, (program area keeps copies for paper/digital files):** ☐ **FRONT END AGREEMENT (signed)** ☐ **TRANSFER PAYMENT AGREEMENT (signed)** ****CDF sends copy & keeps original on file in unit*** ☐ **RISK ASSESSMENT MATRIX (two signatures)** ☐ **CORPORATE REGISTRY CERTIFICATE (dated & initialed)** ☐ **PROGRAM AREA CHECKLIST (completed & initialed)** ☐ **ROUTING SLIPS**
☐	**Send client copy of signed CA and Cash Flow template to initiate first payment**

See Reference Guide for Detailed Information

Additional Notes:

Checklist Completed By:

Print Name

Date

Yukon
Economic Development

CONTRIBUTION/TRANSFER PAYMENT AGREEMENT REVIEW CHECKLIST (FIM BRANCH)

SYSTEMS CHECK		
☐	**Corp. Registries Search** http://app-ucr-sql/	**Verify recipient status via the Yukon Government Corporate Registries Search site** ***Must be Active & In Compliance***
☐	**Front End** http://fmfe/fmisfe/	☐ **Term of Agreement** *Start date is first day of project phase & end date is final day of reporting phase ☐ **Fiscal Year Appropriations** *$ allocations for multi-year projects are correct ☐ **Check internal project number and departmental fund** *Listed in "Internal File Number" & "Funding Program" fields ☐ **Description Title matches agreement "project description"**
☐	**EDMFS** ***For funding program projects**	☐ **Project Summary tab** ○Start/end date (end date must include reporting period) ☐ **Eligibility/Activities tab** ○Project and activities eligible as per fund policies ☐ **Project Information & Assessment tabs** ○Information is complete ☐ **Budget & Approved Budget tabs** ○Approved items/amounts are eligible and in compliance with fund policies ○All funding sources & in-kind contributions are clearly identified ○Budget items & breakdowns add up correctly ☐ **Recommendations & Decision tabs** ○Approvals have correct authority ☐ **CA Management tab** ○TPA # starting with "T" is entered under commitment # ☐ **Approved Budget & Payments/Decommit tabs** ○Fiscal year $ allocations for multi-year projects are correct ☐ **All other TPA's issued to recipient from applicable fund are closed**
☐	**Cross Reference EDFMS & Front End**	☐ **Internal project number and funding program match** ☐ **Fiscal year $ allocations for multi-year projects match** ☐ **Financial Coding is correct (including subledgers)** ☐ **Vendor Name/Address details match**

TRANSFER PAYMENT AGREEMENT – Refer to Reference Guide for additional information...	
☐	**Verify agreement drafted using correct template:** ☐ **FUNDING PROGRAM (EcDev template)** ☐ **LOW RISK (YG template)** ☐ **MEDIUM-HIGH RISK (YG template)**
☐	**Verify authorized signatory is correct in accordance with fund/signing authority policies and is properly reflected in all areas:** ☐ **Front Page of TPA** ☐ **Signature Page of TPA**
☐	☐**Double-check formatting and confirm:** ○Applicable fund reflected in document header ○EDFMS and Front End project numbers included in document footer ○Project description correct/adequate on 1st page and Schedule A ○Applicable recipient reflected on 1st page and signature block ○Applicable contacts listed under 'Notice' section of agreement ○Check spelling/grammar, formatting and ensure all clause numbers are sequential
☐	☐ **Verify SCHEDULES A/B/C reflect/mitigate project risk identified in Risk Matrix exercise and confirm:** ○Agreement budget, total value & terms of payment comply with FAM and/or funding program policies ○Term for Advance/Initial payment requests "statement that there are no monies owed to Yukon Government" ○Fiscal year $ allocations for multi-year projects match EDFMS / Front End ○Figures balance and match information in EDFMS / Front End ○Detailed description provided for in-kind contributions ○All funding sources clearly identified ○Reporting requirements in-line with project deliverables and clearly state how recipient is to report on cash/in-kind contributions: "The final report must include, but not be limited to: A financial statement substantiating expenditure data associated with the project and detailing actual total costs (invoices and receipts) and other sources of funding (including in-kind contributions)." ○If paying GST on project expenses, detail on file that the recipient is not receiving GST back FED gov't
☐	**Cross-check *FUNDING PROGRAM TPA* clauses against EDFMS/Front End and SCHEDULES A/B/C:** ☐ 2.1 Upon the execution of this Agreement, YG shall provide the recipient with financial assistance for the purpose of the Project in an amount not to exceed XX% of total actual eligible expenses up to a maximum contribution of $XXX (the 'Contribution Funds') in accordance with the terms of payment set out in Schedule B attached to this Agreement and subject to the terms and conditions of this Agreement. ☐ 3.1.5 Deliver to Yukon a final financial statement of its expenditures with respect to the Contribution Funds, in a form acceptable to Yukon by March 31, 20XX, (within 60 days of the January 31, 20XX project completion date); and ☐ 5.1.2 Provide Yukon with deliverables and reports of the Project as outlined in Schedule C, and within the timeframes required. Final reports must be received by March 31, 20XX, (within 60 days of the January 31, 20XX project completion date); ☐ 13.1 This Agreement shall take effect upon signing by the Parties and if signed on different dates upon the later of those dates (the 'Effective Date'). For eligible project expenditures, the effective date shall be _____. ☐ 14.1 The term of this Agreement shall be from Eligible Expenditures Date or Effective Date (as applicable) to March 31, 20XX and allotted as follows: ☐ 14.1.1 Project Phase of Agreement shall be from Eligible Expenditures Date or Effective Date (as applicable) to January 31, 20XX, and ☐ 14.1.2 Reporting Phase of Agreement (60 days) shall be from February 1, 20XX to March 31, 20XX
☐	**COMPLETED BY:** _____ **DATE:** _____	**AGREEMENT PACKAGE VERIFIED TO INCLUDE:** ☐ **FRONT END AGREEMENT (signed)** ☐ **TRANSFER PAYMENT AGREEMENT (signed)** ☐ **RISK ASSESSMENT MATRIX (two signatures)** ☐ **CORPORATE REGISTRY CERTIFICATE (dated & initialed)** ☐ **PROGRAM AREA CHECKLIST (completed & initialed)** ☐ **FIM CHECKLIST (completed & initialed)**

Yukon
Economic Development

CONTRIBUTION/TRANSFER PAYMENT
PAYMENT PROCESS CHECKLIST (PROGRAM AREAS)

	FIRST AND INTERIM PAYMENTS
☐	**Review "schedules" of agreement to ensure deliverables have been met**
☐	**Check recipient status with Yukon Government Registries Search to ensure good standing/compliance** *Good standing is defined in Registries system as: Active & In Compliance* (FIM will also verify as payment cannot be processed if recipient not in good standing)
☐	**Process "Claim Verification" document in EDFMS, print & sign** (if applicable)
☐	**Create Cheque Requisition** **Note:** EDFMS creates an automated cheq req / For non-fund related payments go to *http://internal.gov.yk.ca/forms/0000/yg358_e.pdf*
☐	**Create routing slip - only if signing authority exceeds Director limit (Section 29)** – This does not need to be routed through to finance until then end for payment
☐	**To include for payment be processed** (keep copies for your paper/digital files) ☐ **Routing slip** (if applicable) ☐ **Cheque Requisition** ☐ **Copy of Schedule B and/or C of Agreement** (signed/confirmed deliverables have been met & file location of documents is listed) ☐ **Copy of confirmation that recipient does not owe money to YG**
	FINAL PAYMENT
☐	**Review "schedules" of agreement to ensure deliverables have been met**
☐	**Check recipient status with Yukon Government Registries Search to ensure good standing/compliance** (payment cannot be processed until recipient is in good standing)
☐	**Process "Claim Verification" document in EDFMS, print & sign** (if applicable)
☐	**Process "Decommit Verification" document in EDFMS, print & sign** (if applicable)
☐	**Create Cheque Requisition** **Note:** EDFMS creates an automated cheq req / For non-fund related payments go to *http://internal.gov.yk.ca/forms/0000/yg358_e.pdf*
☐	**Create routing slip - only if signing authority exceeds Director limit (Section 29)** – This does not need to be routed through to finance until the end for payment
☐	**To include for payment be processed** (keep copies for your paper/digital files) ☐ **Routing slip** (if applicable) ☐ **Cheque Requisition** ☐ **Copy of Schedule B and/or C of Agreement** (signed/confirmed deliverables have been met & file location of documents is listed) ☐ **Indicate on Schedule B and/or C of Agreement location of final reporting documents** (hard copy file / digital file)
	CLOSING CONTRIBUTION/TRANSFER PAYMENT AGREEMENT
☐	**Look in QUEST to confirm payment has been processed** (allow 2-4 weeks for processing)
☐	**Close agreement in Front End system once all payments have been processed and appear in Quest**
☐	**Close/Finalize agreement in EDFMS**

See Reference Guide for Detailed Information

Transfer Payment Risk Assessment

Funding Programs TPA - refer to program policies/guidelines for specific funding parameters while also using the departmental risk assessment form
Non Funding Program specific TPA - refer to the departmental risk assessment form and additional guidelines below

Risk Assessment Guidelines

Recipient Capacity - determined by the track record of the recipient, the skills or experience for achieving the goals of the transfer payment, size and sophistication of the applicant organization, account and record management skills of the recipient as well as whether the organizations accounting records are regularly audited.

Assessment Risk – determined by the amount of money involved, complexity of project, and sensitivity of the project as perceived by the public and community support for the project.

	Assessment Risk			Action Based On Assessment Risk
Recipient Capacity	☐ Low	☐ Medium	☐ High	**Low risk** – Low risk funding agreements would entail standard terms and conditions that apply to all agreements with minimal reporting requirements.
☐ High	Low to Medium Risk	Medium to High Risk	High Risk	**Medium risk** – At this level of risk, the outputs are measurable and the reporting requirements are aimed at providing evidence that funds were expended on the tasks. Certain interim terms and conditions may have to be met during the life of the project and before the final payment is made.
☐ Medium	Low to Medium	Medium Risk	Medium to High Risk	**Medium to high risk** – The concerns for this level of funding should be the identification of the performance measures, expected results and outcomes. The programming may be more complex and performance information requirements more extensive. In some cases, non-audited financial statements prepared by an independent accountant and/or audited financial statements of the project would be required after project completion.
☐ Low	Low Risk	Low to Medium Risk	Low to Medium Risk	**High risk** – The concerns at this level should be the execution of the project and its evaluation upon completion. A high risk project and high risk recipient should be monitored closely, e.g. frequent accounting and reporting requirements, monthly progress reports, on-site inspection by program officers, etc.

Low Risk (Short-Form Transfer Payment Agreement) –
Note: The Short-Form TPA is only to be used with NON Funding Program TPA's and only if risk assessment is low.

Dollar Range	Risk Assessment Profile
Up to $10,000	Generally appropriate for < 10k with minimal project or operational risks and low recipient risk (low "inherent risk").
$10,000 to $25,000	For agreements with low inherent risk or appropriately mitigated project/operational and recipient risks (low "residual risk"); and the recipient has a satisfactory history with YG, or there is a history of success with funding similar projects/operations (minimum of one cycle or either recipient or project/operating funding result).
$25,000 to $50,000	For fairly simple or familiar/proven project/operation with low inherent or low residual risk; safety/health issues are properly covered off; a reliable, consistent and well developed recipient (e.g. appropriate capacity and controls) which as a satisfactory history with YG; and the project/operation has full community support.

The dollar limits are not absolutes, they are a guide and, within reason, amounts can be outside the stated ranges.

Medium to High Risk (Long-Form Transfer Payment Agreement) -

No limits	Use the Long-Form Transfer Payment Agreement risks are medium to high based on the "Action based on Assessment Risk" presented above.

CONTRIBUTION/TRANSFER PAYMENT AGREEMENT REFERENCE GUIDE

For more detailed information about Transfer Payment Agreements please refer to Section 5.9 of the Financial Administration Manual (FAM)

Recipient Status	
Yukon Government Corporate Registries Search https://ycor-reey.gov.yk.ca	Recipient must be Active & In Compliance (must be in good standing for every payment) Note: If not listed in YG registry then look at the Federal registry for status **https://www.ic.gc.ca/app/scr/cc/CorporationsCanada/fdrlCrpSrch.html**
Front End Verify historical performance of recipient http://fmfe/fmisfe/	Has the recipient consistently met all objectives for other TPA's? Are there any outstanding TPA's in relation to the same project?

Payment Schedule (follow payment schedule when creating Agreement)

All TPA's must follow the payment schedule(s) below as outlined in Section 5.9 of the FAM.
"Departments shall make transfer payments with due regard for the government's cash management practices as well as the recipient's cash flow requirements. Installment payments and advance payments, if required, shall be made in accordance with subsection 5.9.5.4 of the Guidelines. Any exception to this directive must be approved by Management Board. "
In the case of the departmental funding programs (ETF, SIF, REDF or Film & Sound Funds) exceptions have been made and approved by management board. Please refer to ***"Departmental Funding Program Payment Schedule"*** *further below.*

NO advance payment in excess of $10,000 shall be made to a recipient in one fiscal year when the related expenditures of the recipient are not likely to be incurred until the following fiscal year. Advances required for the expenditures that are to be incurred in the following fiscal year must be issued as of April 1 and charged to an appropriation in the new fiscal year.

Payment Schedule outlined in FAM

Operational Funding is funding directed to an organization's operations as a whole rather than to particular projects. If an organization has separate programs, departments or divisions, support for a particular program is also considered to be operational funding.

Note: Operational funding must be paid in installments corresponding to the estimated cash flow requirements of the recipient. The minimum number of installment payments is determined according to the total value of the operational funding.

Total Value of Annual Funding	**Minimum Number of Payments**	**Initial Advance**	**Subsequent Advances/Payments**
Up to $75,000	Two Payment	Up to 90%	Balance payable upon receipt an acceptance of final report
$75,001 to $150,000	Three Payments	Estimated cash flow requirements of the recipient *Proponent to provide an estimated cash flow substantiating need*	Interim payments not to exceed 90% of funding approved and interim financial summary of expenditures from previous advance(s) required Final payment to be payable upon submission of final report
Over $150,000	Five Payments		

CONTRIBUTION/TRANSFER PAYMENT AGREEMENT REFERENCE GUIDE

For more detailed information about Transfer Payment Agreements please refer to Section 5.9 of the Financial Administration Manual (FAM)

Project Funding is support directed to a specific project which has a start and an end date.

Note: Project funding is normally paid on the basis of performance or as reimbursement of expenditures incurred. Where advance payments are necessary, they should be limited to the immediate cash flow requirements of the recipient and must not exceed the following percentage of total value of the funding.

Total Value of Annual Funding	↓ DURATION OF AGREEMENT			
	Less than 4 months (Project Phase)		4 months or longer (Project Phase)	
	Initial Advance	Subsequent Advances/Payments	Initial Advance	Subsequent Advances/Payments
Up to $10,000	Up to 90%	Balance payable upon receipt an acceptance of final report	Up to 90%	Balance payable upon receipt an acceptance of final report
$10,001 to $100,000	Up to 75%		Estimated cash flow requirement for the first 4 months *Notes:* *- payment amount is based on amount of estimated cash flow for first 4 month period* *- proponent must provide a monthly breakdown of estimated expenses for first 4 months*	Every 4 months based on estimated cash flow requirement for the following 4 months. *Notes:* *- interim payments not to exceed 90% of funding approved and interim financial summary of expenditures from previous advance(s) required* *- final payment to be payable upon submission of final report* *- payment amount is based on amount of estimated cash flow* *- proponent must provide a monthly breakdown of estimated expenses for following 4 month period*
Over $100,001	Up to 50%			

Departmental Funding Program Payment Schedule

Community Development Fund (CDF)	Regional Economic Development Fund (REDF)	Strategic Industries Development Fund (SIDF)	Enterprise Trade Fund (ETF) (Shared Between Bid And F&SC)
Advance: Applicants may request an advance up to 50% of the amount approved for funding **Interim**: Payments are based on receipt of interim report; interim payments cannot exceed 90% of approved funding **Holdback/Final**: Holdback of 10% of approved funding amount until final report and been received and verified	**Advance**: Upon receipt of a request in writing, supported by a project cash flow from the project proponents, an advance payment of up to 50% of approved funding may be provided. **Interim**: Project proponents may request interim payments upon written demonstration of work and third-party costs to date which together with advance payment total no more than 80% of approved funding **Holdback/Final:** Holdback of 20% of approved funding amount until final		

Yukon Film Development Fund (YFDF)	Yukon Filmmakers Fund (YFF)	Yukon Film Location Incentive Fund (YFLIF)	Yukon Sound Recording Fund (YSRF)	Yukon Film Production Fund (YFPF)	Yukon Film Training Fund (YFTF)
Advance/Interim: will be paid in accordance with a payment schedule developed with the applicant and based on the terms of the applicant's broadcast development agreement. Not to exceed 75% of approved funding **Holdback/Final:** 25% paid upon receipt of the final report		**Advance:** none **Interim/Final**: reimbursement based on expenses incurred *Letter based transfer agreement on file from Minister.*	**Advance:** up to 50% of approved project funding **Interim**: an additional 25% of the approved funding if requested **Holdback:** remaining 25%-50% paid upon final report.	**Advance/Interim**: will be paid in accordance with a payment schedule developed with the applicant and based on the terms of the applicant's broadcast development agreement. Not to exceed 75% of approved funding **Holdback/Final:** 25% paid upon receipt of the final report	

CONTRIBUTION/TRANSFER PAYMENT AGREEMENT REFERENCE GUIDE

For more detailed information about Transfer Payment Agreements please refer to Section 5.9 of the Financial Administration Manual (FAM)

Approval & Signing Authorities									
Unit	Fund	Officer	Advisor	Senior Advisor	Manager	Unit Director	ADM	DM	Minister
General TPA		**0**	**10 CDF/RED**	**0**	**20 CDF 25 MEDIA**	**25**	**50**	**500**	**No Limit**
Section 24 – (Front End Commitment Sheet)					Currently presented with DRAFT TPA for approval/Signature As per signing limits above				
TPA Language Approval					Finance Branch should review all TPA's for language approval / no signing required				
Section 23 (Signature on TPA)					As per signing limits above				

STEP	FINANCE REVIEW	REGIONAL ECONOMIC DEVLEPMENT		BUSINESS AND INDUSRY	
		COMMUNITY DEVELOPMENT FUND (CDF)	REGIONAL ECONOMIC DEVELOPMENT FUND (REDF)	STRATEGIC INDUSTRIES DEVELOPMENT FUND (SIDF)	ENTERPRISE TRADE FUND (ETF) (shared between BID and F&SC)
Resume Approval	n/a	**Up to 20K** Minister of EcDev **Over 20K** Minister of EcDev & CS *Based on Advisory committee recommendations*	**Up to 10K** Director of Regional Economic Development **10K to 50K** DM or ADM *Based on Assessment Committee recommendations*	**Up to 25K** Director of Business & Industry Development **25k to 100K** ADM or DM **Over 100K to 500K** Minister of EcDEv, CS OR EMR *Based on Advisory committee recommendations*	**Up to 10k** Director of Business & Industry Development **10K to 50K** DM or ADM *Based on Assessment Committee recommendations*
Section 24 (Front End Commitment Sheet)	Reviews all CA's with the exception of anything <u>under</u> 25K from BID	**Up to 10K** Advisor **Up to 20K** Manager **Up to 25K** Director **Up to 50K** ADM **Up to 500k** DM	**Up to 10K** Director of Regional Economic Development **10K to 50K** DM or ADM	**Up to 25K** Director of Business & Industry Development **25k to 100K** ADM or DM **Over 100K to 500K** Minister of EcDEv, CS OR EMR	**Up to 10k** Director of Business & Industry Development **10K to 50K** DM or ADM
TPA Language approval					
Section 23 (TPA signature)	n/a				

STEP	FINANCE REVIEW	MEDIA DEVELOPMENT					
		YUKON FILM DEVELOPMENT FUND (YFDF)	YUKON FILMAKERS FUND (YFF)	YUKON FILM LOCATION INCENTIVE FUND (YFLIF)	YUKON SOUND RECORDING FUND (YSRF)	YUKON FILM PRODUCTION FUND (YFPF)	YUKON FILM TRAINING FUND (YFTF)
Resume Approval	n/a	**Up to 25K** – Media Development Manager **Over 25K** – ADM or Minister of Economic Development (45K max for program)	**Up to 8K** – ADM or Minister of Economic Development (8k max for program)	**Up to 25K** – Media Development Manager **Over 25K** – ADM or Minister of Economic Development	**Up to 25K** – Media Development Manager (5K max for program)	**Up to 25K** – Media Development Manager **Over 25K** – ADM or Minister of Economic Development (500K max for program)	**Up to 25K** – Media Development Manager (3K max for program)
Section 24 (Front End Commitment Sheet)	Review all CA's with the exception of anything <u>under</u> 25K						
CA Language approval							
Section 23 (CA signature)	n/a						

Report to the Standing Committee on Public Accounts: The Response from the Department of Energy, Mines and Resources to the *Report of the Auditor General of Canada to the Yukon Legislative Assembly – 2017 Government Transfer to Societies - Yukon*

June 5, 2017

Prepared by EMR Corporate Services Branch

INTRODUCTION

The Department of Energy, Mines and Resources (EMR) participated in the recent audit of government transfers prepared by the Auditor General of Canada (OAG). The *Report of the Auditor General of Canada to the Yukon Legislative Assembly – 2017 Government Transfer to Societies – Yukon* provides recommendations and information to the department to improve the management of government transfers.

This report addresses OAG recommendations directed towards the department as well as areas that may impact EMR but are not specific recommendations directed to the department. The contents are organized such that the general topic is followed by a text box which contains portions of the audit report. Following this, are the department actions or activities that address that topic.

The draft report from the OAG was available to departments in October of 2016. The final report was officially released on March 6, 2017. The department was able to act on all of the recommendations by the time the final report was released. As a result, this document is not a plan of action but a summary of the current state given that the activities around improving processes have already taken place.

Core versus Operational Funding

Audit Report Findings:

20. The policies for managing government transfer payments contained contradictions and undefined concepts.

27. In addition, we found a contradiction in the 1998 NGO Funding Policy regarding core funding and operational funding. The policy states that departments are not permitted to provide core funding to non-governmental organizations, which include societies registered under the Societies Act. However, the same policy states that the government may provide funding to these organizations for general or operational purposes. In our opinion, these two statements are contradictory, because core funding and operational funding can be used to support similar services and functions, such as paying the salaries of a society's employees. Furthermore, this policy does not define the term "core funding." Officials in two departments told us that they considered the terms "core funding" and "operational funding" to be synonymous, even though core funding is not permitted.

28. We found that departments approved both core and operational funding to societies, even though only operational funding was allowed. We found 2 instances of funding – totaling $140k that were categorized as providing core funding. One transfer was through CS and other was EMR. We also found that CS categorized 16 instances of funding to societies as operational.

These 2 policies are to be reviewed by ECO and Finance and clarity around the conflicting policies will be incorporated into the creation of future Agreements by EMR when available. EMR will continue to follow the newer 2008 Government Transfers Policy on this issue.

EMR has ensured the wording of current and any future agreements does not reference core funding in order to be in compliance with both the General Administration Manual and Financial Administration Manual policies.

EMR Finance staff reviewed Agreements that may reference "core funding' including those analyzed by the Auditor and advised program areas to change the wording. The wording has been corrected.

Legal Reporting Requirements, Outstanding Debts, Transfers versus Contracts.

Audit Report Findings:

51. **Recommendation**. The Department of Community Services and the Department of Energy, Mines and Resources should comply with policy requirements for government transfers, including verifying a society's compliance with its **legal reporting requirements**, determining that a society does not have any **outstanding debts** to the government, and determining when to use a government **transfer instead of a goods and services contract**.

The Department of EMR response:

Agreed. EMR will comply with policy requirements related to government transfers. EMR will start working within the next few months and will request that when a government transfer agreement is created in the commitment system, it is saved with documentation showing that the society is in compliance with legal reporting requirements and that it does not owe outstanding debts to the Government of Yukon. EMR will also review the process on how to decide whether to use a government transfer or contract. This work will be completed by 1 April 2017.

Legal Reporting Requirements

The Agreements considered in the audit were multi-year, meaning they went over more than one fiscal year. The agreements did have verification with the Registrar for the initial year when the agreement was signed but did not have further verification in each of the fiscal years' that the agreement was active.

EMR now requires that multi-year agreements have a verification from the Registrar of Societies for each fiscal year of the Agreement.

EMR Finance staff will not process any payments for an Agreement unless a verification is on file.

Outstanding Debts

The Auditor found that all of the samples from EMR were in compliance (Audit Report, page 10) EMR requires that all Transfer Payment Agreements have a standard clause indicating they must identify any outstanding debts to Yukon government:

> *The Recipient warrants that it has declared all amounts owing to YG and that the Recipient is not in default of any payment schedule in respect of the amounts owing to YG.*

In addition, program area staff have the option of checking with the Department of Finance to see if the recipient has any outstanding debt. This would be done on a case-by-case basis if warranted by the risk profile for the Agreement.

Government Transfer instead of a goods and services contract

Review of draft Agreements now includes examining if the work described is best handled by a contract. Additional training was provided to staff to provide clarity on this issue. Briefings were held for those involved in this work and the differences and use of contracts vs. TPAs was discussed. EMR finance staff also review Agreements and identify to the program area those that may be best served through a contract.

Risk Assessment

Audit Report Findings:

62. Recommendation. The Department of Community Services, the Department of Economic Development, and the Department of Energy, Mines and Resources should consistently use a risk-based approach in their assessments of all funding requests. The departments should adequately document both project and capacity risk for government transfers and include funding agreement provisions, monitoring requirements, and other elements that reflect the level of risk identified.

The Department of EMR response:

Agreed. In it assessments of all funding requests, EMR will more methodically apply a risk-based approach and require documentation when implementing government transfers. EMR will work with Finance to create and provide a government transfer agreement checklist and a risk assessment worksheet for staff to use, will make these new forms available on the internal website, and will present a short information session as a refresher for various levels of staff. Work is being done on this, effective immediately. This work will be completed by 1 April 2017.

EMR Finance has added the risk assessment worksheet (Appendix A) as part of the process for developing a Transfer Payment Agreement (TPA). Relevant staff have been trained on the use of the document. The document must be included with the TPA document in the financial commitment system and signed by two EMR senior staff in order for any Agreements to take effect.

Exceptions are the funding programs Yukon Mineral Exploration Program and Growing Forward 2 which have risk assessments included in the funding proposal review process. The proposals are reviewed by a group and rated/ranked before any funding is agreed to.

Summary

In response to the audit report, EMR has introduced specific, targeted actions to improve the handling of government transfers. Appendix B shows a revised checklist that can assist program staff in completing a Transfer Payment Agreement. Several of the items on the checklist are new and are a result of this audit. In addition, EMR Finance staff will be doing occasional spot-audits of Agreements in order to monitor compliance.

APPENDIX A: Risk Form

	No Risk ①	Low Risk ②	Moderate Risk ③	High Risk ④	Extreme Risk ⑤	Mitigation Strategies:
Scoring Metrics:						
A. Project Timeline?						
B. Dollar Range?						
C. Prior History/Success?						
D. Project Barriers?						
E. NGO Capacity?						
G. NGO Project ownership?						
J. Project sensitivity?						
K. Potential conflict of interest?						
P. Precedent setting?						

Definitions:	1	2	3	4	5
A. Project Timeline?	Immediate (0 - 6 months)	Short Term (6 months - 1 year)	Medium Term (1 - 3 years)	Long Term (3 - 7 years)	Legacy Project (7 - 25 years)
B. Dollar Range?	>$10k	$10k - $25k	$25k - $50k	$50k - $100k	>$100k
C. Prior History/Success?	Excellent working relationship	Good working relationship	Some history/success	Poor past relations	Non-Existent
D. Project Barriers?	None	Low	Moderate	High	Extreme
E. NGO Capacity?	(Inter)nationally renowned	Well Established	Fair organizational structure	Recent startup	Little/no infrastructure
G. NGO Project ownership?	100%	76 - 99%	51 - 75%	26 - 50%	1 - 25%
J. Project sensitivity?	None	Some public interest	Moderate public interest	High public/political interest	Extremely contentious
K. Potential conflict of interest?	No	Low risk	Indirect possibility	Direct/arms-length possibility	Yes
P. Precedent setting?	No, many prior similar TPAs	Some similar past TPAs	Few similar past TPAs	No past similar TPAs	Very different from all prior TPAs

Determination: **Project is Moderate Risk** Reviewer: #1: Project Officer Reviewer #2: senior staff

APPENDIX B: EMR TPA Check List

	Transfer Payment Agreement Checklist A - Comprehensive Documentation file			
	Organizational Name:		Transfer Payment #	
	Project Name:			
			Yes	No
1	Basic contact information (ensure entered correctly in f/e)			
2	Corporate structure (what type of recipeint - FN/NGO etc)			
3	Board of Directors and key employees (points of contact when any follow up has to be done)			
4	Copies of latest financial statements, including budgets (may need to show for other sources of funding)			
5	Latest Society filing (needs to be saved as part of f/e paperwork to show in compliance with reporting requirements)			
6	Mission statement/website info/media			
7	Organizational Chart - optional			
8	Transfer payment original - or signed copy signed by both parties			
9	Confirm this is not a new program or that the TPA is in excess of three years	FAM 5.9.2.5		
10	If the risk indicates high, attach a copy of the review by Department of Justice	FAM 5.9.5.2 and FAM 5.9.5.4		
11	If your TPA is with a FN - attach a copy of the review by Aboriginal Affairs	GAM 1.12		
12	If your TPA is with another level of government attach a copy of the review by Justice			
13	Transfer payment schedules			
14	Are your report deliverables (Schedule A) aligned with the installment and advance schedule?			
15	If this TPA is an operating TPA- are you using the right table in FAM?	FAM 5.9.1 (h) and (i)		
	Based on total value of funding			
16	If this TPA is a project-based TPA - are you using the right table in FAM?	FAM 5.9.1 (h) and (i)		
	Based on performance or reimbursement			
17	Transfer payment amendments (both to the TPA and for f/e)			
18	Has your client complied with all the requirements in Schedule A and Section 6 of the TPA prior to payments and advances?			
19	Have you reviewed Schedule B to see if dollar amounts need to reallocated within the Budget?			
20	Are your payments in line with Schedule C of the agreement?			
21	If the project has been overfunded have you collected the money?	FAM 5.9.5.6 B		
22	Front End documentation (EMR Finance needs copies of all paperwork saved in f/e)			
23	Risk analysis - worksheet to be done (signed copy to EMR Finance with TPA) and attached in f/e			
24	Debt off-set - usually handled as part of the TPA in one of the clauses - remind recipient they need to be aware if they owe, funds cannot be released.			
25	Communication-all emails and other correspondence should be saved on the file			
26	Reports of any YG monitoring results or auditing (all financial reports provided by recipient)			
27	Cheque requisitions - copies to show payments			
28	Copies of invoices for costs, if required, or financial reports			
29	Interim reporting			
30	Final reporting - both financial and progress to match deliverables in TPA			
31	Notes for next year/recommendations			
	Program/Project Officer (signature)		Date:	

Yukon
Government

Memorandum

TO: Public Accounts Committee

FROM: Katherine White, Deputy Minister, Department of Finance
Jim Connell, Deputy Minister, Executive Council Office

DATE: June 12, 2017

RE: **Status update and workplan for Report of the Auditor General of Canada to the Yukon Legislative Assembly - 2017: Government Transfers to Societies – Yukon**

In its March 2017 report noted above (the Report), the Office of the Auditor General (OAG) made two recommendations for which the Department of Finance (Finance) and the Executive Council Office (ECO) are responsible. These were recommendations 31 and 84. Following is a status report and work plan in relation to these recommendations.

Recommendation 31

The OAG recommended that Finance and ECO should work together - and consult with other departments, as necessary - to review the 1998 NGO Funding Policy in the General Administration Manual (GAM Policy 1.16) and the 2008 Government Transfers Policy in the Financial Administration Manual (FAM 5.9) to resolve contradictions in the policies and define key policy concepts.

Work to date and next steps:

As per the response of Finance and ECO to this recommendation as set out in the Report, Finance and ECO have undertaken a detailed comparison between the two policies and have completed the initial scoping of the possible changes required to resolve contradictions.

Officials have agreed that the approach will be that the 2008 Government Transfers Policy will govern all government transfers including those to NGOs. As a result they will recommend to Cabinet that GAM Policy 1.16 be revoked in its entirety and ECO will lead the work necessary to do this by the fall of 2017.

Finance will simultaneously conduct work required to define the key policy concepts that were identified in the Report (related to such things as types of funding, clarification of terminology) for approval by Management Board and revision of the 2008 Government Transfers Policy by the fall of 2017.

Recommendation 84

The OAG recommended that ECO create, in consultation with departments, an evaluation policy that will support a results-based approach to managing government transfers, so that departments can measure, account for, and report on expected results.

Work to date and next steps:

As per the response of Finance and ECO to this recommendation as set out in the Report, following consultation with departments, officials have determined that an evaluation policy for government transfers should reside in Finance. It is expected that the policy for recommendation to Management Board would be completed by November 2018. The policy will provide departments with guidance to evaluate government transfers to measure, account for and report on expected results.

Initial funding to establish an evaluation function in Finance was included in the 2017-18 Main Estimates to support evaluation of government programs generally to determine whether programs are achieving their objectives.

Other

The Policy and Compliance group in Finance will continue to monitor progress on implementing recommendations contained in the Report through the Accounts Payable Post Audit and Transfer Payment Spot Check programs. As the Finance reorganization is implemented, the Policy and Compliance group will also be increasing outreach efforts to departments to help increase understanding of and compliance with relevant policies including the Government Transfers Policy and the evaluation policy.

Katherine White

Jim Connell

Work Plan to Address Recommendations #31 and #84 in the 2017 OAG Report on Government Transfers to Societies

Objective	Actions	Responsibility	Completion Date	Outcome
Recommendation 31: Review the 1998 NGO Funding policy in GAM 1.16 and the 2008 Government Transfer Policy FAM 5.9 to resolve contradictions in the policies and define key policy concepts.	Review OAG specific comments on GAM 1.16 and FAM 5.9. Compare the two policies and identify contradictions. Identify key policy concepts requiring definition. Initial scoping of possible changes to key concepts. Determine approach to resolving the contradictions between the policies.	Finance/ECO	April 2017	Finance and ECO officials agreed to recommend revocation of GAM 1.16 and clarify FAM 5.9 in relation to key policy concepts such as types of funding and terminology.
	Develop a submission to Cabinet recommending revocation of the GAM 1.16.	ECO	Fall 2017	GAM 1.16 is revoked resolving the contradictions with FAM 5.9.
	Policy development to address key concepts that were identified in the OAG Report (related to such things as types of funding, clarification of terminology). Submit a proposal to Management Board seeking approval for changes to	Finance	Fall 2017	Revised FAM 5.9 that defines key concepts.

Work Plan to Address Recommendations #31 and #84 in the 2017 OAG Report on Government Transfers to Societies

	FAM 5.9.			
Recommendation 84: Create an evaluation policy that will support a results-based approach to managing government transfers and determine where the evaluation policy should reside.	Consultation between ECO and other departments on where the evaluation function should reside.	ECO/Finance	May 2017	Finance and ECO Officials determined that the function of evaluating Government Transfers should reside with Finance and that the evaluation policy related to government transfers should be developed as a section within the FAM 5.9 Government Transfers policy.
	Research federal government transfer payment evaluation polices. Review Report recommendations and findings related to Community Services, Economic Development and Energy, Mines and Resources evaluation of transfer payments. Draft evaluation policy concepts in consultation with other departments.	Finance	Winter 2017 through Summer 2018	Draft language related to the evaluation of government transfers developed for inclusion in FAM 5.9.
	Submit a proposal to Management Board seeking approval of the new policy.	Finance	Fall 2018	FAM 5.9 policy on Government Transfers is updated to support a results-based approach to managing government transfers. The

				policy will require evaluations of Government Transfers and provide departments with guidance for evaluating government transfers to measure, account for and report on expected results.
	Implementation and training.	Finance	Fall/Winter 2018/2019	Supporting materials developed and training delivered to assist departments to measure, account for and report on expected results.

Memorandum

TO: Public Accounts Committee

FROM: Jim Connell, Deputy Minister, Executive Council Office

DATE: August 3, 2017

RE: **Copies of Government of Yukon Internal Audit on Contributions Report (2007) and the related Phase 2 Follow-up Report on Cotributions Audit (2010)**

A copy of the Audit on Contributions Report (2007) and the related Phase 2 Follow-up Report on Contributions Audit (2010) prepared by Yukon government's Government Internal Audit Services branch (GIAS) is attached to this memo. Both of these reports are available on the Government Internal Audit Services tab of the Executive Council Office website.

In our presentation to the Public Accounts Committee at the June 28, 2017 hearing on the Office of the Auditor General of Canada's 2017 audit "Government Transfers to Societies – Yukon" we referred to the 2007 internal audit on contributions and noted that as of the 2010 follow-up report, Yukon government departments had addressed 50 of the 59 recommendations made in the 2007 audit on contributions.

As of 2010, the recommendations that were either outstanding or partially completed included: 1.5, 2.1, 2.4, 3.2, 3.7, 3.8, 3.9, 4.10 and 5.2. Since 2010, significant progress has been made towards addressing these recommendations, which are now either complete or nearly complete.

Audit recommendation 1.5 relating to evaluating contribution programs, 2.1 relating to retiring the Non-Governmental Organization Funding Policy and 4.10 relating to improving assessing, tracking and reporting on results, will be further addressed by the actions Yukon government has committed to since the 2017 audit "Government Transfers to Societies – Yukon."

Sincerely,

Jim Connell

Enclosure: Government of Yukon Internal Audit on Contributions Report (2007); Phase 2 Follow-up Report on Contributions Audit (2010)