



Audit of the administration of the Canada Nature Fund contribution program



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Executive summary

[Budget 2018](#) announced a historic investment over 5 years for a Nature Legacy for Canada, to conserve 17% of its land and freshwater by 2020, transition the species at risk program from planning to recovery, contribute to reconciliation with Indigenous peoples and deliver effective management and expansion of federal protected areas. Environment and Climate Change Canada (ECCC) received \$730 million of the \$1.09 billion provided to 4 departments and agencies. The 3 other organizations were Parks Canada, Department of Fisheries and Oceans and Natural Resources Canada.

ECCC's funding envelope included about \$500 million in grants and contributions for the Canada Nature Fund (CNF). Of this, the Canadian Wildlife Service (CWS) administers \$440 million in contributions.

The audit objective was to assess the governance, risk management and controls in place to administer contributions under the Canada Nature Fund.

Why it is important

The \$440 million in contribution funding represents a significant addition to the contributions administered by CWS. The CNF is a complex contributions program, given the varied nature of the recipients and the decentralized delivery of the various components. The branch established a Centre of Excellence for Grants and Contributions (G&C) and is an early adopter of the new ECCC Grants and Contributions Enterprise Management System (GCEMS).

What we found

A comprehensive program management structure was designed and put in place that is supported by adequate governance and processes to administer contributions. A few areas for improvement were also identified.

Contribution administration processes

Adequate internal control processes and tools were in place and operating as intended for several CNF contribution cycle elements. These include program initiation, proposal intake, project evaluation and approval, project monitoring and claims processing. The administration of individual contribution projects is generally consistent with the relevant legislation and policies.

Some gaps and opportunities for improvement were identified with respect to the length of time it takes to approve and negotiate funding agreements with recipients, documentation maintained on file to support decision making and controls related to funding advances and closing funding agreements.

Governance and roles and responsibilities

Formal governance structures and clear roles and responsibilities are in place to support program administration and the provision of direction and oversight. One area for improvement

related to the fact that the CNF is imbedded in a complex program organization, which may affect sustainable communications and coordination across staff.

Risk management

Some program-related risks and proposed mitigation action plans were identified at the program design stage. Formal processes have not been developed to continuously identify, document, analyze, monitor, mitigate and escalate risks that could impact program delivery and objectives. In the current operating environment, it was noted that risks associated with program administration during the pandemic were identified and mitigated in a timely manner.

Recommendations

In response to these findings, the audit team put forward 4 recommendations. The Canadian Wildlife Service agrees with the recommendations and has developed an action plan to address them.

Recommendation 1. The Assistant Deputy Minister, Canadian Wildlife Service, should review and adjust the Canada Nature Fund contributions processes and procedures to improve the timely issuance of future funding agreements to recipients.

Recommendation 2. The Assistant Deputy Minister, Canadian Wildlife Service, should establish standards to support informed decision making for future agreements, including:

- 2.1 Updating guidance and tools to assess future planning projects
- 2.2 Ensuring that project risk information is consistently documented in future proposals
- 2.3 Establishing a formal process to track and document proposal decisions
- 2.4 Ensuring timely availability of quality French materials
- 2.5 Ensuring consistent descriptions of expected results are included in funding agreements

Recommendation 3. The Assistant Deputy Minister, Canadian Wildlife Service, should strengthen controls over:

- 3.1 Documentation in support of advances, to ensure payments are managed appropriately
- 3.2 The project closure, to ensure that disbursements, including the final holdback payment, are fully documented and comply with the requirements of the Policy on Transfer Payments

Recommendation 4. The Assistant Deputy Minister, Canadian Wildlife Service, should develop and implement a formal process to identify, document and monitor emerging risks and mitigation strategies, to inform management of program-level risks that could adversely impact the achievement of program objectives.

1. Background

[Budget 2018](#) announced an historic investment over 5 years for A Nature Legacy for Canada to conserve 17% of its land and freshwater by 2020, transition the species at risk program from planning to recovery, contribute to reconciliation with Indigenous peoples, and deliver effective management and expansion of federal protected areas. Environment and Climate Change Canada (ECCC) received \$730 million, Parks Canada Agency \$199 million, the Department of Fisheries and Oceans \$159 million, and Natural Resources Canada \$4 million, for a total of \$1.09 billion.

Canada Nature Fund

As part of A Nature Legacy for Canada, the Canada Nature Fund (CNF) contribution program within ECCC was approved with a budget of \$440 million. The focus is on furthering Canada's goal of protecting at least 17% of terrestrial areas and inland waterways by 2020 and transforming how Canada works to recover species at risk.

The CNF is a 2-stream contribution fund - one for Spaces and the other for Species – with 8 components.

- **Spaces Stream.** This funding supports the establishment of new protected and conserved areas. This stream has 3 components: Quick Start, Target 1 Challenge (which includes establishment and planning projects¹), and Natural Heritage Conservation Program. The Quick Start component was launched in a very short timeframe just after the approval of spending resources identified in Budget 2018. [Appendix B](#) provides a description of each component.
- **Species Streams.** This funding supports activities that protect and recover wildlife and migratory birds listed as species at risk. This stream has 5 components: Priority Places, Priority Species, Community-Nominated Priority Places, Priority Sectors, and Threats and Indigenous Partnerships Initiatives. [Appendix C](#) provides a description of each component.

The importance of habitat protection for species conservation means that projects may contribute to the expected results for both streams.

CNF contribution funding is integrated into the Canadian Wildlife Service's (CWS) existing program delivery approach. This includes providing direct conservation activities, co-ordination and planning with other levels of government, Indigenous groups, non-governmental organizations and funding projects under other grants and contributions programs.

¹ The 2 types of projects eligible under the Target 1 Challenge component are establishment projects, which are intended to conserve hectares, with co-benefits such as protecting species at risk and advancing Indigenous reconciliation and planning projects, which focus on planning and capacity development in preparation for future hectares conservation and co-benefits such as species at risk protection and advancing Indigenous reconciliation.

CNF funding is delivered via 2 different mechanisms: open calls and directed funding. Open calls are made by soliciting proposals from interested partners and assessing applications competitively. Directed funding is allocated to partners based on their past relationship with ECCC or experience in delivering conservation-based projects.

As part of the development of the CNF program staff worked together to build teams, processes, systems, and a performance framework. The national headquarters is responsible for program design and project approvals, while regional offices are responsible for assessing and monitoring project implemented by recipients as per funding agreement terms and conditions.

ECCC CNF administration

CWS administers ECCC's CNF through the Protected Areas Directorate, the Strategic Priorities Directorate, the Wildlife Management Directorate, and the Regional Operations Directorate. This work is done in collaboration with the Science and Technology Branch. CWS established a Centre of Excellence for G&Cs in the Strategic Priorities Directorate to provide guidance and support for all G&C programs it administers.

CWS headquarters staff are responsible for designing and launching processes for CNF project intake. National headquarters staff including program leads (directors general) and policy leads (directors) are responsible for program design, proposal review and recommendation and the management of the portfolio of projects under each component, including budget management.

The CWS Centre of Excellence for G&Cs is responsible for coordinating processes and tracking finances and activities across CWS, including those related to the CNF. Regional staff have an important role in identifying and evaluating projects and administering contribution agreements.

The Corporate Services and Finance Branch (CSFB) supports the administration of the CNF contribution program. CSFB provides services such as guidance and advice from financial management advisors and officials from the G&C Centre of Expertise, develops standardized tools and templates, policies on standards and controls, manages departmental project approvals, and records and updates financial details of individual contribution agreements.

2. Objective, scope and methodology

Objective

The audit objective was to assess the governance, risk management and controls in place to administer CNF contributions.

Scope

The audit focused on the Spaces and Species streams and related components. The examination covered program governance and risk management, and included an assessment of internal controls for the administration of contributions including project eligibility, selection

and approval, funding agreement development, project monitoring, claims processing and project closure.

The audit covered the period from February 27, 2018, the date of the announcement of funding for the CNF in [Budget 2018](#) to October 2020.

The Evaluation Division of the ECCC Audit and Evaluation Branch concurrently conducted a formative evaluation of the Canada Nature Fund and issued a separate evaluation report. The internal audit team coordinated the planning and examination phases of the audit with Evaluation Division colleagues.

The audit scope excluded:

- Fisheries and Oceans Canada CNF funding since it is not administered by ECCC
- Performance Measurement Framework and Indigenous engagement, which are being assessed as part of the formative evaluation
- Compliance with obligations under the [Species at Risk Act](#), since it is outside the scope of G&C administration
- The Nature Legacy for Canada horizontal initiative as a whole
- Information Technology (IT) controls testing of the Grants and Contributions Enterprise Management System (GCEMS) or other related IT systems.

Methodology

The audit methodology included:

- A review of relevant documentation, including policies, guidelines, procedures, committee terms of reference and records of decision, internal and external reports, as well as, a survey of external stakeholders led by the Evaluation Division
- Interviews and walk-throughs with key personnel
- Analysis and testing of a judgmental sample of contributions agreements.

The audit considered the application of the Treasury Board (TB) [Policy on Transfer Payments](#), the TB [Directive on Transfer Payments](#), the [Financial Administration Act](#), the ECCC Delegation of Spending and Financial Authority, the Guide to G&Cs at ECCC (2020) and CWS guidance documents on G&Cs.

In light of the restrictions on travel and in-person meetings as a result of the current COVID-19 pandemic, audit work was conducted through online interviews and the exchange of documents.

The audit lines of enquiry and criteria are provided in [Appendix A](#).

[Appendix D](#) provides information on the judgmental sample of CNF contribution files selected to test administration processes. A total of 36 funding agreements were selected from the 248

agreements available across the 8 components. The sampling methodology considered the materiality of the funding agreements, component representativeness, advance payments made, and claims submitted to report on expenditures.

Statement of conformance

The audit is in conformance with the Internal Audit Standards for the Government of Canada as supported by the results of the quality assurance and improvement program.

3. Findings, recommendations and management responses

3.1 Processes for the administration of contributions

Findings: Overall, adequate internal control processes and tools were in place and operating as intended for several elements of the CNF contribution administration cycle. This included program initiation, proposal intake, project evaluation and approval, project monitoring and claims processing. Furthermore, the administration of individual contributions projects is generally consistent with the [Financial Administration Act](#), the TBS [Policy on Transfer Payments](#) and ECCC, CWS and CNF processes.

The audit identified opportunities for improvement with respect to the length of time it takes to approve and negotiate funding agreements with recipients, the documentation on file to support decision making, and controls over financial agreement advances and funding agreement closure.

What we examined

The audit examined whether adequate processes and tools for the administration of contributions were developed and implemented to exercise due diligence and comply with the TB policy suite on transfer payments. A sample of proposals, projects, agreements and claims available under each of the 8 components were reviewed to determine whether:

- The eligibility of proposals was assessed based on established criteria
- Project approvals and the management of funding agreements followed the [Financial Administration Act](#), TB requirements and the CNF terms and conditions
- The program can report its performance based on key performance indicators
- Funding agreement advances and claims were approved in accordance with the [Financial Administration Act](#) and followed appropriate due diligence.

What we found

Internal controls, including adequate processes and tools were in place and operating as intended for several elements of the CNF contributions cycle such as program initiation, proposal intake, project evaluation and approval, project monitoring and claims processing.

Program components were defined and criteria were developed to assess eligibility and support the selection of the most suitable projects within each component. In collaboration with the regions, program headquarters staff developed various guidance, processes and tools to support open calls and directed funding.

Stakeholders such as officials from other government departments and provinces and territories were consulted as the program was being developed. Projects were monitored in keeping with their relative size and level of risk. Funding agreements clearly indicated documentation and reporting requirements. Test results found that the majority of reports were submitted to the program by recipients as required and in a timely manner. Furthermore, audit test results demonstrated compliance with financial controls for expenditure initiation and Section 32 of the [*Financial Administration Act*](#).

It was also observed that program information was formally recorded, tracked, and managed in various systems, including a G&Cs database, the departmental financial system, various shared drives, an ECollab site and the GCEMS being implemented at the time of the audit.

The following areas for improvement were identified and are explained in the following paragraphs:

- Length of time it takes to approve and negotiate funding agreements with recipients
- Documentation maintained on file to support decision making
- Controls over financial agreement advances and funding agreement closure

Time needed to approve and negotiate funding agreements with recipients

It was expected that an effective process for entering into funding agreements was in place and agreements were developed in a timely manner.

The program developed a comprehensive process for application-based funding, starting with the identification of projects or intake of expressions of interest and formal applications. Potential projects were assessed, scored, and ranked and a list of recommended projects was prepared for senior management review and approval.

Given the nature of the projects, agreements should optimally be signed before the beginning of the fiscal year (by April 1), so that planned summer fieldwork may be completed during the first year of the agreement. If project agreements are signed later in the fiscal year (for example, in May, June, or in the fall), there is a risk that planned activities for the first year may be altered from what was proposed, evaluated, and approved.

The audit found that for some approved application-based projects, an extended negotiation phase was required after approval because the decision did not grant approval for the full initial ask. Some of the reasons for this included the recipient representing a range of other partners for the project, or the approved activities could not be completed in the first year.

In the case of directed funding projects, further discussions were required with recipients to refine the scope, objectives, activities or desired outcomes. After negotiations were completed, a funding agreement was developed for signature by both parties. The audit team analysis of agreements revealed that the time between project submission and funding agreement signing by both parties could take time, often extending the final approval and signature well into the planned first year of the agreement.

Table 1 provides the average time required from proposal submission to funding agreement signing based on a review of a sample of 36 agreements. The majority of the funding agreements were approved a few months after the dates outlined in the application guides, and it took between 213 and 299 days (about 7 to 10 months) from submission deadline to final signing to establish the funding agreements.

Table 1: Timelines for CNF agreement signatures in 2019 to 2020

Stream	CNF components	Date of final approvals per timeline in application guides	Actual final approval dates ²	CNF funding agreements signature date(s)	Average number of days between proposal submission and funding agreement signature
Spaces	Target 1 Challenge	April-May 2019	August 2019	Between October 2019 and February 2020 for the 9 projects reviewed	261 days
Spaces	Natural Heritage Conservation Program	Not available (information not provided in applicant guide)	March 2019	September 2019 For one project reviewed	257 days
Species	Community-nominated Priority Places	June 2019	August 2019	Between October and December 2019 for the 4 projects reviewed	213 days
Species	Priority Places	Not applicable (directed funding)	June and July 2019	Between September 2019 and February 2020	299 days
Species	Indigenous Partnerships Initiative	Not applicable (directed funding)	Between December 2018 and August 2019	Between March 2019 and March 2020	298 days

Stream	CNF components	Date of final approvals per timeline in application guides	Actual final approval dates ²	CNF funding agreements signature date(s)	Average number of days between proposal submission and funding agreement signature
Species	Priority Species	Not applicable (directed funding)	Between August 2018 and July 2019	Between December 2018 and September 2019	248 days
Species	Priority Sectors	Not applicable (directed funding)	July and August 2019	Between August 2019 and February 2020	226 days

Interviews and a review of funding agreements highlighted several other factors that may have contributed to the length of the process prior to signing funding agreements. These include:

- Given delegated authorities, the review and approval by all levels within the department to recommend and approve projects. Recommendations on proposed projects are made through several layers of review, which include the regions, policy leads, and CWS Centre of excellence for G&Cs, program leads, and CSFB officials. Approvals are then given by the Assistant Deputy Minister, Deputy Minister, or Minister.
- The oftentimes lengthy negotiations with recipients of open call and directed project funding following project approval. This involves discussions to finalize project activities or proposed expenditures, as well as, the review and approval processes within the recipient organization.
- For Target 1 Challenge projects, the program adjusted the length of the Expression of Interest phase to allow more time for proponents to prepare their proposals for this program. This was intended to better accommodate applicants.

In addition, ECCC service standards require that funding agreements be provided to recipients within 15 working days of the successful negotiation of the contribution agreement. Of the 36 funding agreements tested (application-based), 16 (44%) met the ECCC standard and 5 (14%) did not meet the standard. In 15 cases (42%), no information was available regarding the date at which the funding agreement was provided to the recipient.

The timely issuance of funding agreements is critical to ensure that recipients will have sufficient time to implement approved project tasks within the budget and planned timelines.

Recommendation 1

The Assistant Deputy Minister, Canadian Wildlife Service, should review and adjust the Canada Nature Fund contributions processes and procedures to improve the timely issuance of future funding agreements to recipients.

Management response

Management agrees with the recommendation. CWS will work with Corporate Services and Finance Branch, as necessary, to review and adjust the Canada Nature Fund contributions processes and procedures to improve the timely issuance of future funding agreements to recipients.

Documentation maintained on file to support decision making

It was expected that appropriate mechanisms were established to support informed decision making over the lifecycle of CNF contributions, from project selection to monitoring of funding agreements to close-out. There were a few opportunities identified to improve documentation to support decision making. These are described below.

Planning projects evaluation grids. The audit team reviewed the open call process and noted an evaluation grid was developed to help staff document whether projects complied with component requirements and how they contributed to program objectives and priorities. For Target 1 Challenge projects, the same evaluation grid was used to assess both establishment and planning projects.

The audit found that some planning projects were approved, although the initial establishment project assessment grid and program documentation were not designed or adapted for planning projects. Assessment and approval processes and tools for future contributions should be aligned to ensure consistency and to meet the requirements of transparency, availability, and fairness as per the TB [Policy on Transfer Payments](#).

Documenting project risks for approval. The audit reviewed the internal memos used to provide recommendations to senior management on projects:

- Immediate funding (A-list projects)
- Funding if money is available (B-list projects)
- Not recommended for funding

The memos reviewed by the audit team provided an appropriate level of information. The accompanying project descriptions often lacked the details that senior management may have needed to be able to identify risks and concerns to support informed project approval decision-making. Of the 36 project descriptions reviewed, 5 (14%) did not contain any information under the heading “considerations and risks” and 7 (19%) documented specific project risks.

In 24 (67%) of the project descriptions reviewed, they outlined the risks related to departmental obligations and the impact of not signing an agreement rather than documenting project risks such as capacity, scope, timing, and ability to meet expected results. None of the descriptions mentioned the need to develop mitigation plans to counter any identified risks.

Documentation to support project proposal recommendations. The audit identified opportunities for improvement to enhance the documentation of information regarding the

communication of the rationale for rejecting projects for funding. File testing confirmed that rejection letters offer little information related to the funding decision. A formal process to ensure that decisions are properly tracked and documented would help improve the communication of decisions.

Availability of material in both official languages. Program information material was made available in French and English. It was observed that information and material in French were often not available at the same time as the material in English and there were quality issues related to the translation in certain instances.

Description of expected results in funding agreements. The funding agreement template was reviewed to assess compliance with the CNF program Terms and Conditions and the TB [Directive on Transfer Payments](#). The funding agreement templates used for CNF contributions were compliant with requirements, except for descriptions on expected results from the funded projects.

Specifically, the TB [Directive on Transfer Payments](#) requires that the funding agreements include a description of the results to be achieved by the recipient. In keeping with the Directive, the expected results should be those that are within the reasonable control of the recipient and should be stated at a level of detail that will support accountability and performance measurement.

A review of funding agreements showed that 14 of the 36 agreements reviewed clearly specified the expected results in the funding agreements. The remainder did not include a description of the results to be achieved by the recipients at a level of detail that adequately supports accountability and performance measurement. Without setting agreed upon and clear performance expectations at the onset of project funding, recipients may not be in a position to accurately report on project performance measures and whether targets have been achieved. This in turn may impact the program's ability to assess progress and ensure that overall strategic objectives are being met.

Recommendation 2

The Assistant Deputy Minister, Canadian Wildlife Service, should establish standards to support informed decision making for future agreements, including:

- 2.1 Updating guidance and tools to assess future planning projects
- 2.2 Ensuring that project risk information is consistently documented in future proposals
- 2.3 Establishing a formal process to track and document proposal decisions
- 2.4 Ensuring timely availability of quality French materials
- 2.5 Ensuring consistent descriptions of expected results are included in funding agreements

Management response

Management agrees with the recommendation. CWS will:

- 2.1 Ensure that guidance and tools to assess future planning projects are provided
- 2.2 Ensure risk information is documented consistently in future proposals
- 2.3 Establish a formal process to track and document proposal decisions
- 2.4 Ensure the timely availability of quality French materials
- 2.5 Ensure that consistent descriptions of expected results are included in funding agreements

Controls over financial agreement advances and funding agreement closure

It was expected that the management of funding agreements was supported by effective controls to ensure that funding agreement advances are well managed and project closures are well documented.

Controls over financial agreement advances. Controls were established to manage advances including a departmental risk and administrative tool that establishes the maximum eligible advance for recipients based on risks and recipient capacity. It was observed that maximum advances were automatically calculated for each CNF funding agreement using the agreement template and based on criteria established in the tool.

As per program requirements, advances should be issued after a review and approval of documentation reporting on how previous advances were used for eligible expenditures. Of the 36 funding agreements for which disbursements were not supported by a request for payment detailing the expenditure or by documentation supporting that the advances, 4 were for eligible expenditures. Without supporting documentation from recipients that details the expenditure for which reimbursement is being requested, there is a risk that the program may reimburse recipients for non-eligible expenditures.

Funding agreement closure. The audit examined the funding agreement closure processes in place and found that no standard checklist was developed to ensure that proper close-out processes are being followed. As a result, the audit found that documentation of due diligence and approval procedures was not always included in the close-out file. For example, the audit reviewed the 6 projects of the 36 sampled that were scheduled to be completed by March 31, 2019². The final holdback was released to recipients and the projects were closed. The audit could not find documented evidence to justify project closure and payment of the final holdback.

Similarly, documentation supporting a due diligence review as required by the [Directive on Transfer Payments](#) before releasing final holdback payments was not found for any of the 6 projects tested. It is unclear whether this process was done informally; however, not conducting

² Only 6 funding agreements from the sample were closed and could therefore be reviewed.

formal due diligence reviews increases the risk that files are closed without ensuring that recipients have fully complied with the funding agreements and delivered on the approved project results as expected.

Recommendation 3

The Assistant Deputy Minister, Canadian Wildlife Service, should strengthen controls over:

- 3.1 Documentation in support of advances, to ensure payments are managed appropriately
- 3.2 Project closure, to ensure that disbursements, including the final holdback payment, are fully documented and comply with the requirements of the Policy on Transfer Payments

Management response

Management agrees with the recommendation. CWS will:

- 3.1 Ensure receipt of adequate documentation in support of advances to ensure payments are managed appropriately
- 3.2 Ensure that project closures are fully documented to comply with the requirements of the Policy on Transfer Payments

3.2 Governance and roles and responsibilities

Findings: Overall, governance mechanisms and clear roles and responsibilities are in place to support the administration of the CNF contributions program and to provide effective management and oversight. One area for improvement was noted: the CNF is imbedded in a complex program organization, which may affect the sustainable and coordinated communication and reporting among staff.

What we examined

The audit assessed program governance and the processes and activities that support CNF administration and delivery. The audit measured the extent to which governance structures and program organization were in place and that roles and responsibilities were clearly defined to support the delivery of program objectives and priorities and provide effective direction and oversight.

What we found

Governance

A clear governance structure was in place for the CNF program. CWS undertook a review of the branch governance structure in January 2019. The updated governance structure sought to integrate CWS activities and priorities across directorates. The new structure was approved and implemented in a timely manner.

Appropriate oversight for CNF is provided through the CWS Executive Committee and the Species Executive Committee. Both committees include Protected Areas Directorate and Species Directorate. A review of meeting minutes for both CWS Executive Committee and Species Executive Committee meetings during the period within the scope of the audit indicates that overall, the committees are functioning as intended. Attendance, membership (ADM, DGs, and Directors) and frequency are appropriate and reflect the terms of reference. Reporting progress and issues were discussed during meetings.

Additional oversight is provided through the ECCC Executive Management Committee and Assistant Deputy Minister Corporate Operations Committee, which are responsible for reviewing high-level budget issues such as pressures and potential lapses for quarterly reporting. The ECCC Director General G&Cs Committee was reinstated in June 2020 and operates on an ad hoc basis. Furthermore, the CWS Director General Policy and Operations Committee is used to discuss directed projects, reallocation of surplus and proposed changes to governance.

Program organization

Formal program structures were established, and roles and responsibilities were defined and understood. Program management is also supported by entities such as the CWS Centre of Excellence for G&Cs and the CSFB Centre of Expertise.

Various communications mechanisms were used to build linkages, bring expertise, distribute work and disseminate information, including working groups, weekly and monthly calls and a community of practice meetings.

The audit found some factors that may affect efficient and sustainable communication and coordination efforts among staff. This includes the facts that CNF contribution funding has been integrated into the CWS program delivery approach and each of the 8 components operates as a separate entity or program.

In addition, there are similarities between the CNF components and other CWS funding programs such as the Aboriginal Fund for Species at Risk and other protected and conserved areas, Habitat Stewardship Program and Species at Risk Partnerships on Agricultural Land. Given the matrix delivery structure staff responsible for administering the funding agreements must report on agreement progress to each of the policy leads involved in those agreements, as policy leads are responsible for tracking and monitoring results. This may result in several reporting requirements for each employee responsible for implementing agreements, depending on the number of agreements and program components administered by that employee.

Interviews conducted with staff suggest that the complexity of the CNF's design, coupled with the potential overlap with other CWS funding programs, makes it challenging at times and may result in duplication of monitoring and reporting efforts. Interviewees described the processes and reporting requirements as being challenging to navigate. The different processes and methods required regions to respond to various and sometimes overlapping requirements depending on the program they are reporting on.

Given audit resources, scope and timelines constraints, the audit team did not conduct additional work on this area to measure and assess overall impact on the program. However, the audit team encourages the program to explore ways to ensure more sustainable and coordinated approaches to foster clear and streamlined lines of reporting and communication channels.

3.3 Risk management

Findings: Some program-related risks and proposed mitigation action plans were identified at the program design stage. Formal processes have not been developed to continuously identify, document, analyze, monitor, mitigate and escalate risks that could impact program delivery and objectives. In the current operating environment, it was noted that risks associated with program administration during the pandemic were identified and mitigated in a timely manner.

What we examined

It was expected that formal risk management processes are in place for identifying and addressing risks at the program level. This included an examination of the extent to which mitigation plans were documented and implemented in a timely manner.

What we found

The audit found that risks associated with the COVID-19 pandemic were identified and mitigated in a timely manner. For example, monthly calls were established to identify early potential lapses. A lapsing tool was developed by CSFB and communicated to regions to facilitate tracking. Also, recipients under Appendix K of the TB Policy on Transfer Payments were allowed to carry forward funding in order to allow them to complete projects that were halted or postponed due to the pandemic. Guidance was provided to regions in a timely manner to ensure consistency and provide flexibility.

Some program-related risks and proposed mitigation action plans were identified at the program design stage, as well as in the program's contribution to the departmental 2018 to 2021 Corporate Risk Profile and communicated to senior management. Based on the audit work performed, it was unclear whether these risks were monitored and mitigated.

Furthermore, there was no evidence that a formal process to manage CNF program risks as a whole has been established. A formal risk management process would enable the program to identify, analyze, and track risks on a continuous basis throughout the program's lifecycle. It would also enable the development, implementation, and monitoring of mitigation measures to manage risks that may impact the ability of the CNF program to meet its objectives.

Recommendation 4

The Assistant Deputy Minister, Canadian Wildlife Service, should develop and implement a formal process to identify, document and monitor emerging risks and mitigation strategies, to inform management of program-level risks that could adversely impact the achievement of program objectives.

Management response

Management agrees with the recommendation. CWS will develop and implement within our current risk management framework a formal process to address program level risks in line with ECCC's Integrated Risk Management Framework (IRMF).

4. Conclusion

The CNF contribution program was implemented in a very short timeframe to deliver on a complex and important transfer payment program. The governance structure, oversight, and controls were established to support the delivery and administration of contribution agreements. Effective processes and controls in place include:

- Clear governance structure, including documented, defined and understood roles and responsibilities
- Processes designed to administer CNF contributions
- Compliance with financial controls for expenditure initiation and Section 32 of the [Financial Administration Act](#)
- Timely identification and mitigation of COVID-19 risks to program delivery.

Some gaps and areas for improvement were also identified. These improvements will help strengthen program stewardship, support sustainability and enable progress toward the achievement of ECCC's strategic objectives. Such improvements are particularly important in light of a potential future increase of federal conservation commitments and possible expansion of CNF's priorities and mandate.

Appendix A: Lines of enquiry and criteria

To ensure an appropriate level of assurance in meeting the audit objective, the following criteria were developed to address the audit objective. These criteria are derived from the Treasury Board [Policy on Transfer Payments](#) and the related directive, standards, guidelines and other policies.

Line of enquiry 1: sound governance and clear accountabilities are in place to support the administration of the CNF Contributions Program

- 1.1 Governance structures for CNF are established and operating as intended to provide effective direction and oversight
- 1.2 Authorities, roles and responsibilities and accountabilities are defined, communicated and understood

Line of enquiry 2: processes and systems adequately support the administration of the CNF Contributions Program

- 2.1 Adequate processes and tools exist for the administration of the contributions and are aligned with the TB Directive on Transfer Payments
- 2.2 Administration of individual contributions projects is consistent with the [Financial Administration Act](#), TBS [Policy on Transfer Payments](#) and ECCC, Canadian Wildlife Service and CNF processes
- 2.3 Administration of the overall CNF program is consistent with ECCC and CWS CNF processes
- 2.4 Information systems support recording and reporting of relevant information to inform decision making throughout the delivery process

Line of enquiry 3: risks associated with the administration of the CNF Contributions Program are considered and mitigated in a timely manner

- 3.1 Risk management processes are in place for identifying and addressing risks
- 3.2 Mitigation actions are documented and implemented in a timely manner
- 3.3 COVID-19-related risks associated with the administration of CNF have been identified and mitigated

Appendix B: Canada Nature Fund – Spaces Stream Components

Quick Start

- Competitive process using directed request for proposals in FY 2018 to 2019
- One-year funded projects with provincial and territorial governments, Indigenous peoples and non-governmental organizations for advancing Indigenous Protected and Conserved Areas and other protected and conserved areas or supporting capacity
- Projects completed and closed out by March 2019

Target 1 Challenge

- Competitive process using open call for proposals in FY 2019 to 2020
- Funded projects are primarily to conserve areas toward Target 1 of the 2020 Biodiversity Goals and Targets for Canada – 17% of terrestrial and inland water areas by 2020
- Funding agreements signed by March 2020; many are multi-year agreements
- Target 1 Challenge component includes 2 types of projects:
 - Establishment projects, which are intended to conserve hectares, with co-benefits such as protecting species at risk and advancing Indigenous reconciliation
 - Planning projects, which focus on planning and capacity development in preparation for future hectares conservation and co-benefits such as species at risk protection and advancing Indigenous reconciliation

Natural Heritage Conservation Program

- Competitive process using open call for proposals in FY 2019 to 2020 to identify a third party to develop, coordinate and deliver a national project aimed at assisting local, provincial and national conservation organizations in securing ecologically sensitive private lands in perpetuity in Canada and at least 200,000 hectares of ecologically sensitive lands, to match twice the federal funding, to work with multiple funding and delivery partners across the country, under a collaborative governance structure representative of the partners and to increase the capacity of land trusts
- Funding agreement signed by March 2020; multi-year agreement to March 2023

Appendix C: Canada Nature Fund – Species Stream Components

Priority Places

- Planning with provinces, territories and other collaborators on a long-term plan and next steps for specific locations jointly selected as Priority Places. Negotiation of federal funding for specific activities to advance the protection and recovery of up to 200 terrestrial species at risk in 11 priority places to be selected based on specific criteria (biodiversity values, conservation status, boundary optimization, achievability of conservation outcomes, leadership and partnership opportunities) with provinces, territories and other collaborators
- Contributions will be used to engage partners and stakeholders in the development of multi-species action plans, including consultations, data collection, analysis, evaluation and mapping and to support the establishment of governance processes and supporting mechanisms
- Funding agreements signed by March 2020; multi-year agreements

Community-nominated Priority Places

- Competitive process using open call for proposals in FY 2019 to 2020
- Contributions will be used to engage partners and stakeholders in the development of multi-species action plans, including consultations, data collection, analysis, evaluation and mapping and to support the establishment of governance processes and supporting mechanisms
- Funding agreements signed by March 2020; multi-year agreements

Priority Species

- Directed negotiations starting in FY 2019 to 2020
- Agreements with 9 provinces and territories in support of recovery of Boreal Caribou
- Agreements to advance the protection and recovery of other species at risk listed under the [Species at Risk Act](#) that are identified as priorities, in collaboration with provinces and territories, Indigenous peoples, NGOs and other collaborators
- Funding agreements signed by March 2020; multi-year agreements

Priority Sectors and Threats

- Directed negotiations starting in FY 2019 to 2020

- In Canada, development of sector-based approaches for promoting beneficial practices and improving unsustainable practices for priority sectors, including agriculture, forestry and urban development
- Internationally, ensure that forestry management and certification regimes reflect best practices in species at risk protection and recovery and maintain access for Canadian forestry products in international markets
- Some funding agreements signed by March 2020; multi-year agreements

Indigenous Partnerships Initiatives

- Directed negotiations in FY 2019 to 2020
- Establish partnerships with Indigenous people for the protection and recovery of species at risk. Funding will support activities that focus on building relationships, enhancing capacity and increasing collaborative conservation activities (consultations, habitat and land-use planning, negotiation and implementation) to meet recovery and protection obligations on reserve lands
- Funding agreements signed by March 2020; multi-year agreements
- More agreements in negotiation; to be signed in FY 2020 to 2021

Appendix D: Canada Nature Fund projects selected for file testing and budget allocation, by component

Canada Nature Fund components	Original budget for components	Current (December 2020) budget per component	Dollar value of approved agreements (as of June 2020)	Number of approved agreements (as of June 2020)	Number of agreements tested (as of June 2020)	Materiality of agreements tested (against the total budget for each component)
Quick Start	\$10 million	\$14.8 million	\$14 million	38	5	35%
Target 1 Challenge	\$130 million	\$161 million	\$140 million	68	9	33%
Natural Heritage Conservation Program	\$100 million	\$100 million	\$100 million	1	1	100%
Priority Species	\$39.2 million	\$45 million	\$35 million	30	5	68%
Priority Places	\$46.6 million	\$39.2 million	\$4.3 million	36	4	32%
Community-nominated Priority Places	\$20 million	\$17.6 million	\$14.4 million	15	4	44%
Sectors and Threats	\$7.9 million	\$7.6 million	\$2.6 million	9	3	50%
Indigenous Partnerships	\$42 million	\$38.9 million	\$11.7 million	51	5	37%
Total	\$395.7 million	\$424.1 million	\$322 million	248	36	N/A

Source: CNF documentation (program documentation, project list validated by the Canadian Wildlife Service, G&Cs Database, SAP extract)