

Management Response and Action Plan

A - For inclusion in the report

The findings and recommendations of the audit were presented to the Assistant Deputy Minister of the Strategic Policy Sector, the Director General of the Federal Economic Development Initiative for Northern Ontario (FedNor) and the Director of Corporate Services, FedNor. Management has agreed with the findings included in this report and will take actions to address the recommendations by December 31, 2015. The table below presents the detailed actions planned to address the recommendations.

B - For follow-up purposes - Detailed actions to address the recommendations in the report

Recommendation	Planned Action on the Recommendation	Responsible Official (position)	Target completion date
<p>Recommendation 1: The Director General, FedNor, should improve and formalize its program level risk management process, to assist the Program in the identification, assessment, mitigation and monitoring of key Program risks on an ongoing basis. This process should ensure that mitigation strategies are developed and assigned to an appropriate risk owner with articulated timelines for implementation, and that mitigation efforts are periodically monitored. Program level risks should consider project level risk assessments to ensure emerging risks are addressed as they arise.</p>	<p>Agreed. FedNor will improve and formalize its risk management process for the Community Futures Program (CFP) by incorporating CFP priorities/risks and mitigation measures in the existing FedNor Priorities and Change Management Update report which is discussed at FedNor Management Committee every 6 months.</p>	<p>Director, Corporate Services and Policy</p>	<p>June 30, 2015</p>

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<p>Recommendation 2: The Director, Corporate Services (FedNor), should improve the project risk assessment process by implementing a periodic review of project risks during the course of a CA (e.g. consideration of compliance reviews' results on project risks / annual re-assessment).</p>	<p>Agreed. Effective April 1 2014, FedNor implemented a risk assessment tool and guidelines that are in line with the Department's risk management framework. Under this framework, projects are re-assessed as required or according to project risk. Low or medium risk projects are re-assessed annually and high risk projects are re-assessed semi-annually.</p>	<p>Director, Corporate Services and Policy</p>	<p>June 30, 2015</p>
<p>Recommendation 3: The Director, Corporate Services (FedNor), should ensure:</p> <ul style="list-style-type: none"> • Completion and documentation of monitoring plan/activities identified in the Risk Assessment Form. • Consistent follow-up activities are implemented and documented in the event that financial or non- financial information is not obtained on time from a CFDC, as per the T&Cs of the CA. • Additional monitoring activities conducted for pooled investment funds are documented. 	<p>Agreed.</p> <p>FedNor's recently launched Risk Assessment Form incorporates a monitoring/mitigation plan. Additional mitigation measures will be included in the Contribution Agreement.</p> <p>A tracking report will be developed for the Master File to track follow-up activities for overdue reports. The implementation of a Client Case Management (CCM) software system currently underway at FedNor will facilitate electronic tracking and documentation.</p> <p>Specific monitoring of pooled investments activities will be documented for the Program.</p>	<p>Director, Corporate Services and Policy</p>	<p>August 31, 2015</p>

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<p>Recommendation 4: The Director General, FedNor should ensure that follow-up activities regarding unused funds remaining at the end of a CA are documented, including the letter or other vehicle for conveying instructions to the CFDCs on how to return funds as well as confirmation from the CFDCs that the funds have been returned.</p>	<p>Agreed. A report will be provided to Program Delivery Management on a quarterly basis for follow-up and review.</p>	<p>Director, Program Delivery</p>	<p>August 31, 2015</p>

Recommendation	Planned Action on the Recommendation	Responsible Official (position)	Target completion date
<p>Recommendation 5: The Director General, FedNor should ensure that all investment fund transfers are approved and monitored effectively, as follows:</p> <ul style="list-style-type: none"> • For temporary fund transfers: Ensure that the BF system is updated in a timely manner and that it is reviewed for completeness and accuracy by an authorized person within FedNor. • For permanent fund transfers: Oversight on the actual expenditures incurred in various cost categories to ensure they align with projected amounts in the original request for fund transfer (i.e. incremental costs vs. normal operating costs). • For both temporary and permanent fund transfers: Design of a control whereby FedNor obtains a confirmation of when and how much of the investment fund was transferred to compare against the approved amount/date to ensure only approved funds were transferred and only after the approval date. 	<p>Agreed.</p> <p>The BF system/report will be reviewed by Program Delivery Management on a quarterly basis.</p> <p>The G&C Account Verification checklist will be revised to require that PDO/MPO report on the status of outstanding temporary transfers.</p> <p>The CFP business process and Investment Fund Transfer request form will be revised to ensure that documentation is obtained to demonstrate compliance with agreed terms of transfer.</p>	<p>Director, Corporate Services and Policy and Director, Program Delivery</p>	<p>August 31, 2015</p>

Recommendation	Planned Action on the Recommendation	Responsible Official (position)	Target completion date
<p>Recommendation 6: The Director General, FedNor should ensure that a consistent approach is applied to the completion of compliance reviews by:</p> <ul style="list-style-type: none"> • Implementing a sampling methodology that is consistently applied for all compliance reviews. • Ensuring consistent completion/documentation of the compliance activities prior to sign-off. • Development of a formal approach to follow up on the recommendations resulting from the compliance reviews. 	<p>Agreed.</p> <p>FedNor will develop and implement a sampling methodology that will be based on the most current risk re-assessment.</p> <p>FedNor will revise the compliance review checklist to ensure consistency in the completion / documentation of compliance activities.</p> <p>FedNor will strengthen its monitoring processes by implementing a “Management Response and Action Plan” template to follow up on recommendations resulting from compliance reviews.</p>	<p>Director, Corporate Services and Policy and Director, Program Delivery</p>	<p>December 31, 2015</p>