

REPORT FOR THE MINISTRY OF CHILDREN AND
FAMILY DEVELOPMENT:

Financial Monitoring and Oversight

Introduction

The Ministry of Children and Family Development's (MCFD or Ministry) mission is to deliver inclusive, culturally respectful, responsive and accessible services which support the well-being of children, youth and families in the Province of British Columbia.

The Ministry has approximately 5,400 staff who work with cross-government and social-sector partners, Delegated Aboriginal Agencies, Indigenous service partners, foster homes and approximately 6,000 contracted community social service agencies. Ministry programs and services are coordinated through a provincial head office located in Victoria and delivered through 13 geographic Service Delivery Areas and 24 Delegated Aboriginal Agencies. In 2019/20 MCFD received approximately \$2 billion for its operations.

The Ministry engaged Internal Audit & Advisory Services to conduct an advisory project to support the improvement of their financial oversight processes and controls.

The Ministry selected the following three monitoring and support functions in Finance and Corporate Services and a child care funding initiative (the Programs):

1. Financial Services Branch: Verification and Audit Unit, which supports MCFD's provincial services programs and helps investigate allegations of overpayments, irregularities, errors and misrepresentations.
2. Financial Services Branch: Financial Audit and Assurance, which supports and assesses internal controls and compliance across the Ministry. In 2019/20, Financial Audit and Assurance focused its capacity on providing contract oversight and governance for Contracted Residential Agencies (third-party providers of residential services to children and youth). Our work focussed specifically on this oversight function.
3. Corporate Operations Support Branch: Financial Services and Quality Assurance Unit, which provides financial services and supports offices to increase the consistency of operational processes and improve the application of internal controls.
4. Child Care Benefit and Operating Funding Branch: Child Care Fee Reduction Initiative (one part of the Child Care Operating Fund), which is designed to reduce and stabilize child care fees paid by parents and offset administrative and inflation costs incurred by child care providers.

Purpose, Scope and Approach

The purpose of this advisory project was to assess the financial oversight and monitoring provided by the Programs, including any gaps or overlaps in their current responsibilities.

We evaluated and made recommendations related to the following:

- defining and documenting mandate, roles and responsibilities;
- conducting risk assessments to identify areas of significant risk;
- creating annual plans that link goals, objectives, risks, activities and resources;
- developing key performance indicators to measure results; and
- reporting key information and activities to executive.

We conducted this project through:

- obtaining an understanding of the mandate, scope and methodology;
- interviewing management and staff to understand financial controls;
- reviewing relevant legislation, policies and procedures;
- assessing MCFD's monitoring, training and communication; and
- evaluating oversight activities, including integration, as appropriate.

The project was conducted by Internal Audit & Advisory Services, Ministry of Finance and fieldwork was completed in March 2020. We met with each of the Programs to discuss the specific findings of our work. This report consolidates those findings.

Summary

Each Program plays its own valuable role in contributing to the Ministry's overall mission. In the past few years the Programs were either newly established or had undergone changes to their mandate and scope. During this time several initiatives were undertaken to improve the Programs' processes and controls and, as a result, the maturity of financial oversight and monitoring activities varied.

Our work identified additional opportunities for the Programs to improve their processes and strengthen the Ministry's overall financial oversight in the following areas:

Mandate and Scope

A clear mandate and scope are important to ensure that responsibilities are commonly understood within the Ministry, and by Ministry executive to avoid any gaps in expectations. The Programs each had a clear mandate and scope, although some key documents such as program charters or annual plans had not been updated to reflect their current responsibilities and areas of coverage. It is important to periodically review key documents so that they reflect the current mandate and scope.

We found two of the Programs did not undertake activities in significant areas of their mandate. Ministry executive should be engaged in a discussion about mandate coverage, including resources, risk tolerance or alternative solutions. Any changes to mandate and scope should be approved by executive and should inform the annual plan.

Recommendation:

- (1) The Programs should ensure key documents reflect their current mandate and scope, so that roles and responsibilities are understood and approved by Ministry executive.**

Planning

Organizations are required to make informed decisions on how to best allocate staff and resources amongst their various activities and responsibilities. Financial oversight supports the quality of deliverables and helps the Ministry achieve its objectives.

An annual plan is an opportunity for each Program to identify its priorities, goals and objectives and set out the activities and resources required to meet them. Creating an achievable plan requires decisions on how to balance risks and resources.

Completing a risk assessment is an important stage in the planning process and includes identifying factors or events that may impact the achievement of organizational objectives. Through this process, an organization should evaluate the likelihood and significance of each risk and determine the effectiveness of mitigating controls.

We assessed each of the Program's current financial oversight activities, including how they assess risks and plan their activities. We found that each had the foundation of an annual plan and varying levels of maturity within their risk assessments. Developing an annual plan that is prioritized based on the results of a risk assessment and estimated resource capacity will help the Programs undertake activities that best helps them achieve their objectives. Having the plan approved by Ministry executive will help ensure that available resources are allocated to activities that align with organizational priorities and the Ministry's risk tolerance.

Recommendation:

- (2) The Programs should develop annual plans based on their risk assessment, resource capacity, and organizational priorities. These plans should be approved by Ministry executive.**

Reporting

An important part of good governance and oversight involves setting organizational goals and objectives where progress and results can be measured and shared. With goals and objectives established, relevant key performance indicators can be set to measure how well the organization is achieving its intended results. Key performance indicators are a common and transparent way for organizations to set out what it intends to achieve and communicate its results.

The Programs tracked and reported information to Ministry executive; however, none had established key performance indicators. We note that the Programs are currently working to improve the quality and type of information reported to better reflect the results of their activities. They should continue this process, gathering information that allows them to set benchmarks, objectives and goals and using it to create an achievable number of indicators that best measure their results.

Recommendation:

- (3) The Programs should develop key performance indicators to measure and communicate results to Ministry executive.**

Several of the changes and improvements undertaken by the Programs were driven by recommendations the Ministry received from external reviews. These reviews contained findings related to service delivery, operations, and finance. It is the responsibility of the Ministry to understand these findings and determine how to adequately address the recommendations.

The Ministry's action plans often require collaboration between various areas within the Ministry. For instance, different branches of the Ministry may take the lead in responding to an external review's recommendations. Responsibilities may then be delegated to other branches based on alignment with their expertise and roles. This approach helps support a direct response to the issues identified.

However, there is an opportunity for the Ministry to improve its overall response by establishing a centralized group to review and monitor all external reports. This consolidation would provide the Ministry with a more holistic understanding of existing reports and the activities undertaken to address their recommendations. The group could be a resource for retaining and disseminating corporate knowledge to support continuous improvement. It may also ensure there is no overlap or duplication of efforts in undertaking future reviews or addressing current recommendations. Communicating this information to Ministry executive would support them in meeting their management and governance responsibilities.

We also identified opportunities to improve the execution of action plans. Not all action plans set target completion deadlines. Furthermore, while there were informal updates on progress, we did not find a consistent approach to require periodic updates. While most action plans were specific and their success could be measured, the Ministry did not have a review process in place to evaluate if and how the actions implemented were achieving their intended results. The Ministry should create an action plan template and process that requires actions to be time-bound, with progress regularly updated, monitored and evaluated.

Recommendation:

- (4) The Ministry should develop a centralized approach for consistently developing, documenting and monitoring its actions in response to the findings and recommendations of external reports.**

The Ministry has started to develop an action plan to address our recommendations.

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We would like to thank the management and staff at MCFD, who participated in and contributed to this advisory project, for their cooperation and assistance.



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