

Letter to Recipient Organisations

The purpose of this letter and the attached *Recipient Guide on Best Practices for Internal Controls and Fraud Prevention* is to remind recipients receiving funding from Immigration, Refugees and Citizenship Canada (IRCC) of their obligations and related expectations around management of contribution agreements (CAs). The intent of the attached document is to provide you with guidance on how to setup and maintain sound internal controls with respect to your financial management. The goal is to also assist you in preventing fraud both internal and external to your organization, based on your responsibility to protect your financial assets including the management of public funds.

These obligations and expectations are based on Treasury Board policies and directives that require transfer payments to be delivered in a manner that is fair, accessible and effective; that funding does not exceed eligible expenditures; and that project objectives are met. In this regard, IRCC has implemented a risk-based monitoring and audit framework to ensure recipients are in compliance with the terms and conditions of our contribution agreements, which incorporate reporting, monitoring and auditing activities. The objective of those activities is to:

1. Confirm that project objectives are being met;
2. Validate information submitted through both financial and activity reports;
3. Verify eligibility of expenditures claimed; and
4. Assess internal controls related to the organisational management of each CA

Internal controls refer to a framework of processes designed and implemented by an organisation to provide reasonable assurance that its objectives relating to reliability of financial reporting; effectiveness and efficiency of operations; and compliance with applicable laws and regulations will be achieved.

While each organisation is responsible for establishing its own internal control framework, IRCC has established minimum requirements as defined in the CA. Internal controls specifically addressed in the terms and conditions include, but are not limited to, contracting processes and procedures; staffing policies and procedures; accuracy and retention of financial records; and protection of personal information.

1. Contracting processes and procedures

In accordance with Article 9.6 of the CA, recipients are required to use a fair and equitable process for awarding contracts. The process should be structured to ensure that interested parties can participate in the contracting process and value for money is achieved. The process used for the acquisition of goods or services should be fair, transparent and consistent with the materiality or risk related to the contract (i.e. the greater the dollar value and implications on service delivery, the more rigorous the process). For example, obtaining three quotes whenever feasible, evaluating how they best satisfy the need of the organization, ensuring there's no conflict of interest and that contracts are not automatically renewed.

In addition, the recipient is required to ensure that records are maintained in sufficient detail to allow IRCC officers and/or auditors to confirm that the above requirements have been met. These documents must be retained for the duration of the agreement and for seven years afterward. For example, the required documents can include, but are not limited to, the following: copies of quotes, proof of pre-

authorization, procurement contracts, proper signing authority or proper approval from staff with appropriate level of authority, etc.

2. Staffing processes and procedures

In accordance with Articles 3.6 and 5.3 of the CA, the recipient must have clear and transparent staffing processes that are fair and equitable and result in the hiring of the most qualified individual. All employees must be authorized to work in Canada and be familiar with the community they serve. Hiring practices should ensure that the candidate selected is the most qualified individual to support the achievement of performance objectives as identified in Schedule 1 of the CA. Documentation related to staffing of positions is to be retained and available for monitoring and audit purposes. For example, documentation can include, but are not limited to, all personnel records, staffing applications, job posters, etc.

In addition, costs related to hiring of or contracting with family members are not eligible for reimbursement unless the recipient can demonstrate that a fair selection process was utilized.

3. Accuracy of Financial Records

In accordance with Articles 5 and 6 of the CA, the recipient is required to maintain financial records in accordance with generally accepted accounting principles, to employ qualified personnel to perform this function and to retain all supporting documentation that demonstrates proof of payment, including invoices, receipts, and contracts. Documentation to support eligibility of claimed expenditures is to be retained so that it can be produced upon request with minimal effort or delay.

Internal controls should be implemented to ensure accurate and complete financial records. Examples include, but are not limited to, segregation of duties and clearly defined roles, responsibilities, and authorities.

Although there are provisions in the CA that address aspects of internal control, it is the organisation's responsibility to develop, implement and maintain its own internal control framework. In cases where you have retained an auditor to conduct an annual financial statement audit, this should include a review of the internal controls for your organisation. We would urge you to work with the auditor to identify alternatives and improvements in order to address any deficiencies noted, and consider / implement auditor recommendations on areas of concern to management. In addition, we have developed the attached *Recipient Guide on Best Practices for Internal Controls* and *Fraud Prevention* as a reference tool in order to assist you in maintaining an effective control environment.

4. Protection of Personal Information

Article 7.0 of the Contribution Agreement lays out the privacy and security obligations recipients have over personal information collected and maintained by them. These provisions include limiting the collection and disclosure of such information; complying with all local laws where programming is delivered internationally; and appropriately responding to actual or suspected loss, theft, unauthorised access, or other incidents affecting the security and integrity of personal information.

Should you have any questions or concerns, please contact your program officer.