



Joint Audit and Evaluation of the Disaster Financial Assistance Arrangements Program

Audit and Evaluation Report
June 2022



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Conformance with professional standards

The audit portion of this engagement conforms to the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and the Government of Canada's Policy on Internal Audit, as supported by the results of the Quality Assurance and Improvement Program.

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Background

In the event of a large-scale natural disaster, the Government of Canada provides financial assistance to provincial and territorial governments (PTs) through the Disaster Financial Assistance Arrangements (DFAA) program, administered by Public Safety Canada (PS).

When response and recovery costs place a significant burden and would exceed what individual PTs might reasonably be expected to bear on their own, the DFAA assists the PTs in:



Providing or reinstating the necessities of life to individuals, including help to repair and restore damaged homes;



Re-establishing or maintaining the viability of small businesses and working farms;



Repairing, rebuilding and restoring public works and the essential community services; and



Funding limited mitigation measures to reduce the future vulnerability of repaired or replaced infrastructure.



Background

Since the inception of the DFAA in 1970, the Government of Canada has contributed more than \$6 billion in post-disaster assistance to help PTs with the costs of response and of returning infrastructure and personal property to pre-disaster condition. Over half of this has been contributed in the last ten years of the program.

A number of factors are contributing to the rise of program cost, including: extreme weather conditions due to climate change, demographic growth, the state and location of private dwellings and public infrastructure, the market availability of insurance against various disasters, and the parameters of the DFAA itself.

The percentage of eligible costs reimbursed under the DFAA is determined by a cost-sharing formula and is up to 90% of eligible expenditures. As of January 1, 2022, the initial threshold for all new events is defined as \$3.38 per capita of the provincial/territorial population. Once the threshold is exceeded, the federal share of eligible expenses is determined by the formula.

Cost-sharing Formula

Eligible Expenditures	Cost-Share Percentage	
	PT	GC
First \$3.38 per capita	100	0
Next \$6.78 per capita	50	50
Next \$6.78 per capita	25	75
Remainder	10	90



Based on the cost-sharing formula, costs must exceed \$3,991,330 in Saskatchewan to be eligible for the DFAA or \$50,413,613 in Ontario.

Background

DFAA Process



PT governments design and administer their own programs for their residents, determining the amount and types of assistance that they will provide to those who have experienced losses following a natural disaster. Currently, not all PTs have formal disaster assistance programs.

The DFAA does not place any restrictions on PTs regarding the amount and types of assistance the PT provides however, PT expenses are only eligible for DFAA cost-sharing if they comply with the DFAA Terms and Conditions (Ts&Cs). Accordingly, most PTs choose to closely align their programs with DFAA Ts&Cs and eligible costs.

PTs have six months following the end of a natural disaster to request financial assistance through the DFAA. Under the *Emergency Management Act*, an Order in Council (OiC) is required to declare an event to be of concern to the Government of Canada and authorizes the provision of financial assistance under the DFAA.



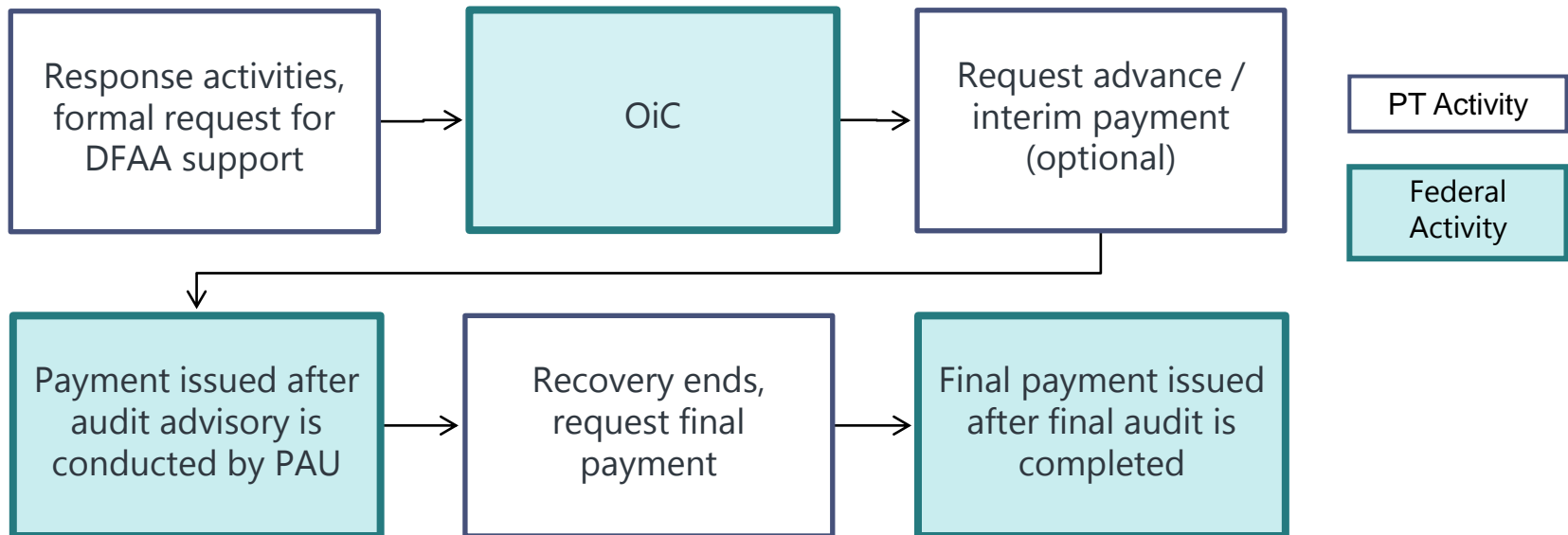
Following the approval of the OiC, the PT can request an advance payment within the first 12 months as well as yearly interim payments. Advance payments are normally limited to 50% of the estimated federal share while interim payments are normally limited to 60%. The PT has up to five years from the date the OiC is approved to request the final payment. If required, the PT can request an extension. All payments are subject to a federal audit conducted by the Program Audit Unit (PAU) to ensure that the claimed expenses submitted by the PT are eligible under the DFAA guidelines.

Background

DFAA Process

The following diagram displays the steps that are followed, after a natural disaster, that enable the DFAA to provide assistance. The federal activities are always in response to a PT action which means files can progress at different speeds.

A natural disaster occurs...



Engagement Purpose and Methodology

This engagement is a joint audit and evaluation project. Given the importance of the DFAA to the Department it was determined that the oversight provided by both audit and evaluation would be useful in supporting the program. The purpose of the engagement was to examine the progress made by the DFAA in achieving outcomes and assess the relevance of the DFAA with regards to the continuing need for the program and the alignment with current disaster management principles. The engagement also assessed the governance, risk management and internal control processes supporting the management and delivery of the DFAA. The engagement covered the period from fiscal year 2016-17 to 2020-21.

Interviews



30 interviews were conducted with stakeholders from the various DFAA groups including Programs [NCR], the Resilience and Economic Integration Division (REID), Regional Officers, and the PAU, as well as with PT representatives.

In addition to the individual interviews conducted, 5 group audit interviews were conducted with the PAU, the Programs [NCR] group and the REID, who are responsible for policy.

Literature and Program Document Review



Literature (e.g., academic research, media, reports) and corporate documents (policy and program documents) were reviewed.

Limitations

Due to the financial focus of the program, there was limited performance data available. To mitigate this challenge, the team made use of other program documents and supplemented with evidence provided during interviews with program staff and PTs.

Performance and Financial Data



Performance data from the program was reviewed. Program financial data was analysed.

Engagement Purpose and Methodology

Internal Audit and Evaluation are two tools for supporting management decision making:



**Are we
doing
things
right?**

Internal Audit

Internal audit activity provides assurance that internal controls in place are adequate to mitigate the risks, governance processes are effective and efficient, and organizational goals and objectives are met.

The audit criteria for this engagement can be found in Annex A.



**Are we
doing the
right things?**


Evaluation

Seeks to systematically and neutrally gather and analyze evidence to assess whether, why, and how a program, initiative or policy works, with the aim of informing decision making, improvement, innovation, and accountability.

The evaluation questions for this engagement can be found in Annex B.

Relevance

Continued Need

 **Finding:** Given the increasing frequency and severity of disasters within Canada, there is a continued need for the financial assistance provided by PS through the DFAA.

Beginning in 1996, Canada has experienced at least one major disaster per year. The frequency and scale of disasters has accelerated and has included events such as the 1996 Saguenay floods, the 2013 Calgary Flood, the 2016 Fort McMurray Wildfire and the 2021 British Columbia disasters costing billions in damages and displacing hundreds of thousands of Canadians.

During the time frame covered by the engagement, there were 38 requests for DFAA assistance.

	2016-17	2017-18	2018-19	2019-20	2020-21	Total
# of requests	8	8	6	11	5	38

In this same period, 49 events were approved for cost-sharing.

	2016-17	2017-18	2018-19	2019-20	2020-21	Total
# of events	22*	8	7	6	6	49

*the numbers in this table represent when an OiC was approved, not necessarily when the event occurred. As a result, the number of events in 2016-2017 reflects a backlog in OiC approvals.

Relevance

Continued Need

While historically 80% of DFAA events have been flood-related, the program is seeing an increasing number of requests for assistance for wildfires and there were 2 requests for assistance for landslides in 2021-22.

Of the 49 events approved for cost-sharing between 2016-17 and 2020-21:



19 were floods



15 were rainstorms



9 were wildfires



4 were cyclonic storms



2 were winter storms

More than half of all interviewees spoke to the impact of climate change and the increased frequency and severity of events as important issues related to disaster management and response.

Relevance

Continued Need

Given the increased frequency and severity of events, and the increasing cost of events, all interviewees feel that there is a continued need for federal and provincial/territorial (FPTs) governments to cost-share disaster recovery expenses. There are differing opinions amongst stakeholders as to the extent of assistance the federal government should offer, however there is an expectation and reliance on the federal government for increased assistance.



The DFAA cost-sharing formula remained unchanged between 1970 and 2015 and did not account for inflation.

PT officials expressed discontent when changes were made in 2015, increasing the expense thresholds threefold. There have been requests to reinstate the thresholds in place prior to 2015.

As a result of these changes, it was suggested by PT stakeholders that smaller events should be grouped together into one request for assistance and not be treated as separate events that do not meet the DFAA threshold.

According to the current Ts&Cs of the DFAA, the grouping of separate disastrous events into one DFAA request is not permitted, with the exception of general spring flooding in a defined area, including secondary flooding caused by storms.

Cost-sharing Formula Prior to 2015

Eligible Expenditures	Cost-Share Percentage	
	PT	GC
First \$1 per capita	100	0
Next \$2 per capita	50	50
Next \$2 per capita	25	75
Remainder	10	90

Relevance

Continued Need

While some PTs would like to combine disaster costs on an annual or hazard-specific basis, some stakeholders feel that this goes against the original intent of the DFAA which was to provide consistent and equitable cost-sharing of response and recovery from natural disasters where those costs would otherwise place a significant burden on the provincial or territorial economy.

The DFAA was designed to be a reactive program that provides financial assistance in the years following a disaster. It was noted that the DFAA was created as a last resort program although it is not being utilized as such today. It was not designed to be an “insurance” program that covers all disaster-related costs.




Some stakeholders feel that PTs should have accountability for response, recovery and mitigation and that the DFAA “should be there for the incremental costs that are above and beyond what the PTs could reasonably be expected to pay” while others imply that the program should be more supportive, “it would be nice if we had three events in one year if they only took the deductible* off one event, not all of them.”

*while the stakeholder used the term “deductible,” the reference is to the DFAA threshold.

Relevance

Disaster Management Principles and Modernization

 **Finding:** The DFAA does not sufficiently align with current disaster management principles. The program and its guidelines require updating to better align with both the Emergency Management Strategy for Canada and the Sendai Framework for Disaster Risk Reduction; as well as address current best practices in emergency management.

In 2015, after years with little change, developments began to occur in the disaster financial assistance landscape in Canada. Developments at that time included the previously mentioned tripling of the DFAA thresholds and private overland insurance becoming available in some areas.



In 2015, Canada became a signatory to the Sendai Framework for Disaster Risk Reduction whose purpose is to reduce disaster risk to more effectively protect persons, communities and countries and to build resilience. The Sendai Framework marks a clear shift from managing the impact of disasters to managing and reducing risks that lead to disasters – a shift from reaction to prevention.

In a move toward more preventative measures, federal and PT governments have been taking steps, since 2016, to reduce the impact of flooding. However, there has not been consistent progress on flood mapping, PT emergency plans and critical infrastructure protections to adapt to the changes brought on by climate change. Accordingly, many flood maps are 20 to 25 years out of date. This can mean the maps may not account for climate change and may underestimate the risks of floods.

Relevance

Disaster Management Principles and Modernization



In 2017, the FPT ministers reviewed and approved the third edition of “An Emergency Management Framework for Canada”. This iteration makes the link between climate change and emergency management, and the need for an all-hazards approach and for all areas of society to work together to enhance resilience. *The Emergency Management Strategy for Canada* builds on the principles articulated in both the Emergency Management and Sendai frameworks and supports the FPT governments’ vision to strengthen Canada’s emergency management capabilities to prevent/mitigate, prepare for, respond to and recover from disasters to reduce disaster risk and increase resiliency.

Given these developments in emergency management, going forward it is important that Canadians understand the risks associated with disasters while also improving capacities at all levels to ensure that natural disasters can be effectively mitigated, responded to and recovered from.



A continued evolution from a reactive emergency management model to an increasingly proactive whole-of-society framework will be important.

Future issues to consider in modernization include how the government should adjust the DFAA to limit federal disaster-related liabilities and incentivize mitigation and adaptation measures, and how the government should address the flood-insurance market.

While Canada’s approach to emergency management has evolved since the creation of the DFAA, there have been few significant changes to the program since inception 50 years ago.



Relevance

Disaster Management Principles and Modernization

While the federal DFAA has undergone minimal changes over the years, some PTs have been making changes to their disaster financial assistance (DFA) programs:

Alberta – for all disaster events, beginning in 2021, Alberta implemented a 90:10 cost-sharing arrangement with local governments and private sector applicants with a \$500,000 funding cap per homeowner application.

Manitoba - in 2020, a program was implemented in which municipalities can access mitigation funding following a disaster that qualifies for their DFA program. Accordingly, the municipality can invest an amount equal to their municipal cost-share into a mitigation project to help build resilience for future disasters and Manitoba will reimburse 100% of their eligible DFA claim.



Quebec – funds mitigation efforts for buildings which have not yet been damaged but are in a critical risk zone.

Ontario – introduced a provision for Building Back Better, through a pilot in 2019. Under this provision, municipalities are eligible to receive up to 15% above the estimate cost of rebuilding damaged infrastructure to make it more resilient to extreme weather.

Relevance

Disaster Management Principles and Modernization

Changes to disaster management programs have also been occurring internationally:



The United States of America (USA)

The USA has a publicly funded, but privately administered, National Flood Insurance Program which is targeted at high-risk areas but also available to those outside of high-risk areas.

The USA Disaster Recovery Reform Act (2018) provides a dedicated funding stream for proactive disaster mitigation. The Building Resilient Infrastructure and Communities (BRIC) program provides funding on a permanent basis, at 6% of the money set aside for annual disaster costs under the Disaster Relief Fund. For fiscal year 2021, BRIC made \$1 billion available in funding.



The United Kingdom (UK)

In the UK, flood insurance is private but there is some coordination between the insurers and the government. While flood insurance is provided through normal home insurance for low-risk areas, under the Flood Re program, insurance is also provided to high-risk areas with subsidized premiums.



Relevance

Disaster Management Principles and Modernization

Prior to 2015, home insurance in Canada did not cover damages as a result of overland flooding. Residential overland flood insurance coverage expanded in some areas as a result of updated flood mapping and initiatives like the National Disaster Mitigation Program (NDMP). Flood insurance has become available except in most areas with a high-risk of flooding which leaves the DFAA liable for those properties.



Some PTs are moving toward refusing claims when someone is uninsured but flood insurance is available. It has been suggested that the federal government could encourage all PTs to adopt the strategy of refusing DFA payments to households that do not avail themselves of flood insurance. This would still leave the federal government responsible for public sector assets which are the largest draw on DFAA funds. Residential loss accounts for 15% of DFAA flood recovery costs; the vast majority is public infrastructure.

It was noted by some stakeholders that insurance is not always purchased for some infrastructure that could be insured. While an insurance market exists for these municipal assets, its uptake can depend on affordability for local governments and PTs.

When insurance is not purchased, the DFAA can be leveraged as an insurance program given that if nothing else covers a disaster, the DFAA will (assuming eligible costs). If affordable flood insurance can be made available across Canada, the DFAA would not be needed for private property which would marginally reduce DFAA costs.

Relevance

Disaster Management Principles and Modernization

Given the increase in the scale and number of disasters seen every year, discussions about how the DFAA should move forward in the future have been occurring at various levels.

The Recovery Working Group (RWG), a sub-group of the Senior Officials Responsible for Emergency Management (SOREM), provided PS with a list of proposed changes to the DFAA in April 2021. The proposed changes fit into three categories: suggestions for policy and guidelines changes; federal interpretation bulletin requests; and issues that can be addressed through an improved communication platform initiated by PS.



In December 2021, the Minister of Emergency Preparedness was tasked with undertaking a comprehensive review of the Disaster Financial Assistance Arrangements Program by engaging experts to bring forward recommendations and program amendments. This supports the Minister's overall responsibility to strengthen emergency management in Canada, ensuring a strategic, integrated and proactive approach across all hazards, and to work closely with provinces, territories, municipalities and Indigenous partners.



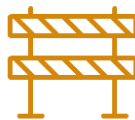
The DFAA Review, including the external Advisory Panel, aims to update the DFAA to better support disaster risk reduction before and after a disaster in alignment with the Emergency Management Strategy. The Advisory Panel represents a diverse, interdisciplinary group that will tackle such topics as disaster recovery in a multi-jurisdictional context, insurance and risk transfer, and resilience and mitigation, among others, with the goal of identifying emerging themes and final recommendations. A report is expected in Fall 2022.

Relevance

Disaster Management Principles and Modernization

As part of this engagement, stakeholders were asked their thoughts on potential changes to the DFAA going forward.

It was recommended that PS consider how the program could be leveraged to incentivize disaster risk reduction in Canadian communities rather than as a way to manage the fiscal framework.



Stakeholders also provided that the DFAA requires modernization given that DFAA language is geared towards flooding, despite requiring an all-hazards program which also gives consideration to wildfires.



Additional changes discussed include making the interest on loans eligible for cost-sharing when PTs must borrow to fund their response and recovery costs; allowing for more variation in the definition of small business ownership and revenue thresholds; and increasing the reimbursement allowance for the use of public equipment to be equal to the cost of renting equipment.

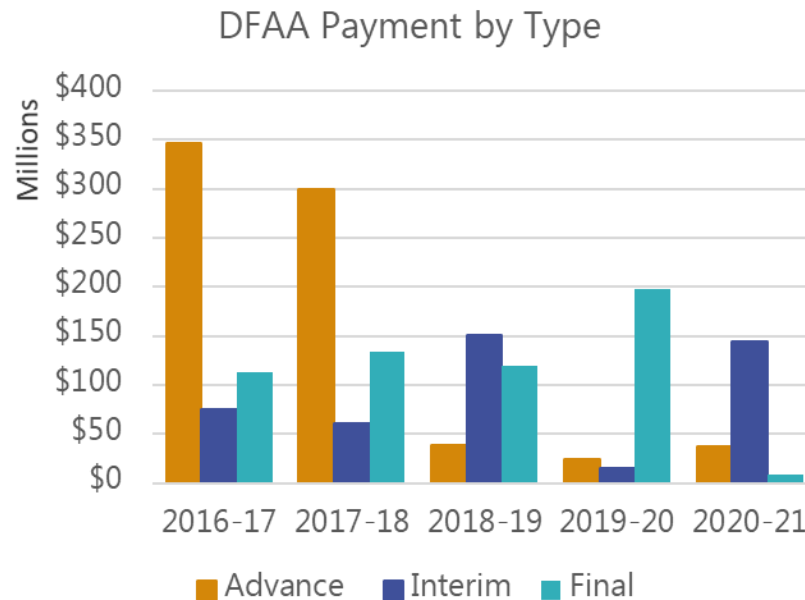
Performance

Assistance for PTs



Finding: The DFAA assists PTs by providing post-disaster funding.

Over \$1.7B in DFAA payments have been made to PTs between 2016-17 and 2020-21.



42% of payments made from 2016-17 to 2020-21 were interim and advance payments which demonstrates early DFAA funding to assist PTs following a disaster. It is important to note that PTs have up to five years from the date an OiC is approved to request the final payment.

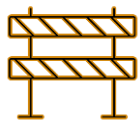
Performance

Assistance for PTs



Financial assistance through the DFAA was noted by more than half of the PTs as being important in supporting their PTs after a disaster. Stakeholders made it clear that provincial and territorial budgets are not always sufficient and they can't always carry the burden of a large-scale natural disaster. One stakeholder noted that "it is reasonable that the federal government provides a backstop."

Stakeholders also noted that it is important that the federal government acknowledge that capacity varies across PTs; while one PT may have a robust Emergency Management Office another may not have an emergency management program in place, this can have an impact on disaster response and recovery.



Some PTs stated that their province or territory is only marginally supported or not adequately supported by the DFAA as a result of the threefold increase to the thresholds; calling the increase "a big jump" or describing the higher thresholds as "a barrier to entry."

While the financial aspect of the DFAA was the focus of most discussions surrounding support, at least two interviewees mentioned that the federal government has a role to play in facilitating communication and collaboration with PTs.



Performance

Mitigation Provisions



Finding: Funding for Mitigation Enhancements and Innovative Recovery Solutions (IRS) has been accessed for a small number of disasters. While stakeholders agree that mitigation is an important element of disaster management, there remain challenges in accessing and applying these funds as set out in the DFAA.

In 2008, the DFAA Guidelines were expanded to include two mitigation provisions: Mitigation Enhancements and IRS. These provisions allow PTs to receive up to 15% of the total eligible recovery costs associated with the repair and/or rebuilding of damaged public and private infrastructure.



Between 2016-17 and 2020-21, 27% of events received funding for mitigation enhancements/IRS for a total value of \$14.1M.

There has been some confusion surrounding the Mitigation Enhancements and Innovative Recovery Solutions. PS has released Interpretation Bulletins on both in an attempt to clarify their use.

A 2016 audit, *Mitigating the Impacts of Severe Weather*, by the Office of the Auditor General, suggested that the DFAA has done little to encourage PTs to invest in disaster mitigation as the vast majority of all recovery costs for large-scale disasters are covered by the federal government. This continues to be pertinent as very few changes have been made to the DFAA since the 2016 audit.

Performance

Mitigation Provisions

Mitigation Enhancements

Any measure undertaken within specific repair or reconstruction projects of damaged infrastructure that will reduce the vulnerability of the infrastructure to future natural disasters.

The maximum amount eligible for cost-sharing under this provision is 15% of the total eligible recovery costs associated with repair and/or reconstruction of damaged public and private infrastructure.



If a PT estimates costs associated with repair and/or reconstruction of damaged public and private infrastructure to be \$100M, up to \$15M spent on mitigation measures would be eligible for federal cost-sharing.

IRS

Any solution, outside of repairing the damaged infrastructure, that aims to reduce its vulnerability to future natural disasters.

The maximum amount eligible for cost-sharing under this provision is the cost to repair and restore the damaged infrastructure to its pre-disaster condition (may include any unused portion of the 15% mitigation budget).

IRS typically consists of relocation; moving a road; moving a bridge; and/or buying out homes.

PTs have used IRS to decommission/demolish homes, move people out of flood zones, relocate buildings and one PT is looking at relocating four communities.

Performance

Mitigation Provisions

There is strong support amongst PT stakeholders for the mitigation provisions under the DFAA, however challenges were identified with the specific conditions.

The mitigation provisions were described as the “single most incredible element...because it offers [an] avenue to PTs to become more resilient to subsequent disasters”. The integration of mitigation measures into recovery efforts was seen as critical, and one PT expressed that the funding available has been of great value to them.

One of the concerns raised was that mitigation is generally seen to be a proactive activity, but mitigation enhancements as laid out in the DFAA are being undertaken in a reactive way. They are implemented after damage has occurred and mitigation can only be applied to damaged infrastructure. Additionally, it was felt that the DFAA does not fully support the key principle of Building Back Better as the Guidelines only allow returning damaged infrastructure to its pre-disaster condition, including up to current PT or federal building codes and standards.

The 15% limit available for mitigation was specifically noted by many as being insufficient. Suggestions were made to increase the funding available, with suggested increases ranging from 30% to 100%.

Increasing mitigation funding was presented as fiscally responsible by providing a return on investment and reducing future DFAA-related costs.

Performance

Mitigation Provisions

Other challenges exist in relation to the mitigation provisions of the DFAA. PS staff indicated that the DFAA could do more to facilitate or enable the uptake of these aspects of the program noting that the guidelines lack clarity and could be less restrictive.

While the funding available was raised as being insufficient, another challenge was the calculation of mitigation funding based on the final total value of a PT's claim. It may be difficult for a PT to know how much mitigation funding will be eligible in the end. This can present as a risk for the PTs as they could invest in mitigation only to discover that those costs will not be shared.



Another suggestion for improving the mitigation provisions of the DFAA was to share information on what types of mitigation enhancements have been undertaken so that PTs know what may be possible and what has been successful.

Though mitigation funding is available through the DFAA after a disaster, other government programs also provide funding for mitigation projects. The DFAA does not allow for cost sharing with those programs. If a project is eligible for funding under another federal program, the costs become ineligible under the DFAA. The DFAA cannot be applied to top up assistance under other programs, or to circumvent prescribed limits to the contributions and terms of those programs.



Section 3.1.2 of the DFAA Guidelines established that "expenditures for which provision is made for full or partial reimbursement to the province under any other federal program existing at the time of the emergency, whether or not the province accessed the program" are not eligible.

Performance

Mitigation Provisions

The **Canada Community-Building Fund (CCBF)**, funded through Infrastructure Canada, is a permanent source of funding provided up front, twice-a-year to PTs for municipalities to support local infrastructure priorities. It delivers \$2 Billion every year to 3,600 communities across the country. “Disaster mitigation” is one of the 19 eligible project categories.

According to the Annual Report of the CCBF, in 2020, municipalities completed five projects related to disaster mitigation.

It is not clear whether PTs can apply for DFAA mitigation if they are collecting the CCBF.

The **Disaster Mitigation Adaptation Fund (DMAF)**, funded through Infrastructure Canada, was launched in 2018 and committed \$2 Billion over 10 years to invest in structural and natural infrastructure projects to increase the resilience of communities that are impacted by natural disasters triggered by climate change.

Initially eligible projects for funding were valued at \$20M and above; recently small-scale projects have been added with eligible costs between \$1M and \$20M.

A few interviewees made mention of accessing the DMAF for mitigation projects.


The **NDMP**, funded through PS, was created in April 2015 to address the increasing risks and costs associated with flood disasters in Canada. Funding for the NDMP was \$200M over five years from 2015 to 2020. The NDMP was renewed in 2020 for two years with \$25M.

The Mitigation Contribution Component of the NDMP provided funding to PTs for flood mitigation investments under four streams: flood risk assessment, flood mapping, flood mitigation planning, and non-structural and small-scale structural measures.

NDMP projects are cost-shared with PTs; up to 50% for eligible provincial projects and up to 75% for eligible projects in territories.

Performance

Guidelines and Information

 **Finding:** The program collects data from PTs for financial audit purposes. There is a gap in information available to make informed program decisions. The current guidelines, which have been in place since 2008 require updating.

Following the approval of an OiC, a PT can request interim, advanced and final payments. Supporting documentation is required at these stages. See diagram on slide 7.



The current documentation requirements under the program Ts&Cs focus on invoices, documents and records which allow federal auditors to assess the total eligible costs and compliance with the financial elements of the DFAA. While the data that is collected satisfies financial audit requirements, the program, “is not capturing data or intelligence to make informed [policy related] decisions.”

It was suggested that there are key elements of data missing such as: readiness of insurance in particular jurisdictions, efforts related to mitigation, flood land use and repeat claims. Without this information, the program cannot identify whether the same buildings are making repeated claims for multiple disasters; if assets were approved or built in designated high-risk hazard zones and if assets are, or could reasonably, be insured.

Furthermore, while the mitigation and IRS projects are audited for cost eligibility, there is a lack of capacity to track information about their location. This could be useful in measuring the impact of the mitigation measures on future disaster costs.



Data should be collected in a way to validate program objectives and to be leveraged for decision-making and future enhancements.

Performance

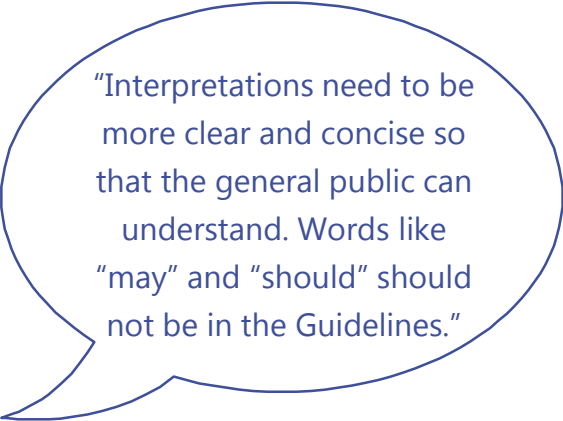
Guidelines and Information

Concerns were raised about the clarity of the guidelines with stakeholders agreeing that overall, the DFAA Guidelines are unclear.

Clarification has been requested by PTs on several program-related issues. Since the guidelines came into effect on January 1, 2008, nine Interpretation Bulletins have been published.

While it was agreed that the Interpretation Bulletins provide some precision, there are still areas that require further clarity. This includes Mitigation/IRS overall, as well as wildfires and the definition related to insurance availability and reasonable cost.

PS program officers have a database where all questions and decisions surrounding PTs' requests for clarification are logged. Many PTs suggested that access to this database would be useful so that they could research similar questions to see what costs might be eligible before the final audit when they would already be "on the hook for the costs." Within PS, awareness of and access to the database was not consistent across all relevant areas.



"Interpretations need to be more clear and concise so that the general public can understand. Words like "may" and "should" should not be in the Guidelines."

Governance

Internal Roles and Responsibilities



Finding: Improvements are required to better define and communicate internal stakeholder roles and responsibilities.

The DFAA team plays a vital role in ensuring PS delivers on its responsibilities for administering financial assistance to PTs. The audit criterion sought to confirm clarity and consistency in the roles and responsibilities for the teams involved in the administration and delivery of the DFAA within PS.



There are four groups involved in the DFAA within PS: Programs [NCR], REID, PAU and the Regional Officers (ROs).

The program Ts&Cs include generic roles and responsibilities for the administration and delivery of the DFAA. These generic roles and responsibilities align with the overall mandate of the DFAA but do not delineate detailed roles and responsibilities for the four groups involved in the process.

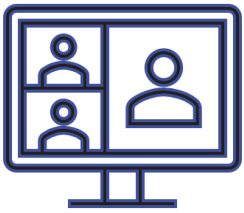
Within the groups, additional guidance has been provided for their own roles. The PAU has put in place an audit manual and terms of reference that outline their roles and responsibilities. The DFAA program team has defined some roles and responsibilities for the DFAA email inbox to help ensure an efficient and effective means of communication between DFAA and stakeholders. However, no other clearly defined roles and responsibilities were noted for the Program team, the Policy group or the Regions.

Governance

Internal Roles and Responsibilities

Interviews with PS management and program staff confirmed that roles and responsibilities are based on informal collaboration, communication and coordination of activities among the DFAA groups.

While collaboration exists through regular meetings, there was ambiguity about the division of some roles between the program and policy groups. The role of ROs also lacked clarity and may need to be further defined throughout the DFAA process.




Adequate segregation of duties related to the financial management of the DFAA was noted in the DFAA process flowchart and confirmed through the internal control assessment. The flowchart however, had no detailed information/supporting notes to delineate the roles and responsibilities for exercising such delegated authorities for the DFAA.

Without clearly defined and communicated roles and responsibilities between the DFAA groups, the expectations, coordination and engagement may be unclear and lead to operational gaps and duplication of effort, however no impact was noted on the processing of payments to PTs.

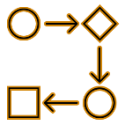
Internal Risk Management

Tools, guidance, processes and procedures

 **Finding:** While some tools, guidance, processes and procedures exist to support the administration of the DFAA, there are opportunities for improvement. Technological resources could be better leveraged in support of sound information management processes.



The engagement examined whether tools, guidance, processes and procedures to support the administration of the DFAA are available, accessible, communicated and applied.



As previously noted, numerous internal PS teams are involved in the DFAA. In support of this, a workflow chart has been developed that outlines the various processes related to the administration of the DFAA. This includes separate process maps for the OiC, payment requests and the semi-annual accounting exercise. These flowcharts provide clear guidance for Programs [NCR], PAU, the Regional Offices and the Comptroller Branch. For certain processes that involve sign-offs, the various steps are included. There is no identified role for REID in these processes.



The Programs [NCR] team has also developed multiple tools and guidance documents to support their work. This includes the documentation on the interpretation of sections in the DFAA guidelines, forms for calculating the thresholds for DFAA support, as well as other templates and fact sheets. There is an Excel document which tracks all of these documents with the references to the internal document management system. While many of the guidance documents could be useful to other groups involved in the DFAA, it is not clear if they are all aware of or have access to this Excel spreadsheet, and related templates.

Internal Risk Management

Tools, guidance, processes and procedures


There was no clear evidence of a centralized or comprehensive strategy for information management. Multiple applications and processes are used. These include the departmental information management systems, paper files (which were inaccessible for periods of time as a result of office closures during the COVID-19 pandemic), TeamMate for DFAA financial audit working papers, and the generic DFAA email inbox.



Along with this, there was no documented naming convention for the various files. These inconsistencies were observed in the file review conducted as part of the internal controls assessment sample. Regional staff also identified this as a challenge.

Overall, these issues may lead to inefficiencies, and could be streamlined. A simplified electronic system could also address possible concerns of version control, retention and disposal issues, privacy concerns, and reduce administrative burden.

Internal Controls

 **Finding:** The internal control processes for the DFAA are designed and implemented as intended to support the administration of the DFAA. Areas for minor improvement were noted.

PS has established processes and procedures required for the implementation of the DFAA and the internal controls necessary to ensure its ongoing effectiveness and integrity.



The PAU assesses the eligibility criteria contained in the program's Terms and Conditions. The Centre of Expertise (CoE) within the Finance Directorate has developed a verification process to further strengthen the program's monitoring abilities. These internal control procedures provide value-added oversight to support compliance with applicable policies and legislation, and to provide assurance that the requirements of the DFAA program are met.

Within PS, Internal Control over Financial Reporting (ICFR) assessments are conducted by the Internal Control unit (ICU) of the Comptrollership office on a cyclical basis and shared with departmental governance committees including the Departmental Audit Committee (DAC).



For a recent ICFR of the DFAA, a sample of files from both the initial request stage (representing 13 OiCs) and the final payment (representing 16 OiCs) were reviewed. The Internal Audit team used the same sample but conducted their own in-depth testing. Overall, robust due diligence processes and practices were observed for the majority of key control areas identified.

Internal Controls

Generally, the initial request from the PT, the OiC approval and the audit/compliance reports were well documented and had been conducted according to the expected process. For the files that were verified, adequate segregation of duties was noted for the processing of expenditure claims and payments. It was found that Expenditure Initiation/Commitment Authority (section 32), Certification Authority (section 34), and Payment Authority (section 33) are performed by individuals with the appropriate delegation of authority and in accordance with the Directive on Delegation of Spending and Financial Authorities.

Minor inconsistencies were noted in the documented application of some of the key control processes. During the file review, trends in missing electronic documents were noted in a few areas, including CoE verification and payment confirmation.

It is important to note, that due to COVID-19 restrictions, only electronic files were able to be reviewed and verified.

While the program was agile in responding to the abrupt shift to the remote work environment, and functioned without disruption in support to the PTs, the electronic documentation of processes could be improved.

For example, for the DFAA files that were approved during the pandemic, no evidence pursuant to section 33 approval was observed in these files (7 from the initial request stage and 8 from the final payment). Although the names of the financial officers who approved the payments are provided in SAP, it was also expected to be referenced in the files.



There were also instances of missing Financial Signature Specimen Records (FASSR) within the files. As well as three initial payment samples where section 32 or section 34 were missing signatures, dates, or amounts. None of these impacted the eligibility of the payments.

While overall the control processes were conducted, full documentation on file would make it easier to ensure compliance with regulations, policies and delegated authorities.

Internal Controls

As a key control mechanism, the PAU provides reasonable assurance that the Ts&Cs have been met by the PT. PAU is involved in each of the payment stages, and all claims are audited against the Ts&Cs of the DFAA. The PAU audit process includes a risk assessment, a review of the audit plan, dissemination of samples to the PT, request for information from the PT, testing, initial review, summary review, and final review. Payment decisions are made post-audit.

PAU reports compliance to the Senior Director, Emergency Management Programs. As well, significant findings and/or recurring issues are shared with Programs [NCR] to be considered for future interpretation bulletins. No mechanism, however, was identified to formally report concerns or compliance to senior management or the DAC.

In order to forecast the federal liability under the DFAA and to comply with Public Service Accounting Principles, PTs are asked twice a year to provide information through the Semi-Annual Accounting (SAA) exercise, regarding expenditures for response and recovery pertaining to events for which OiCs have been approved, and to which the DFAA are being applied. PTs are provided with an excel spreadsheets to complete, and required to include:

- Updated estimate of the total expenditure for the disaster;
- Estimated date, type (advance, interim or final) and amount of next request for payment; and
- Current estimates of unique costs, mitigation enhancements, and IRS expenditures per disaster.

Analysis of the SAA exercise is reported to the Deputy Chief Financial Officer and provides insights for any additional appropriations as needed to supplement the Program's A-base budget (\$100M). Since 2012, PS has received \$5.2 billion in incremental funding to address pressures in excess of its A-base funding.

Internal Controls

The internal controls in place focus on the significant financial transactions that occur, and the information collected from the PTs is adequate for administrative purposes. However, it was identified that more detailed information may assist the DFAA, and in particular REID, in identifying emerging issues related to Emergency Management and help assess the overall effectiveness of the program.



PTs also noted that there was a lack of clarity regarding supplementary information required to support claims, and they often erred on the side of caution in providing information. This has resulted in extra administrative work for both PTs and PS staff.

It was also suggested that additional training could be helpful for those involved in the DFAA. While some meetings and forums were previously occurring, these were affected by the pandemic's impact on participants' operations and workloads. The introduction or re-introduction of training and learning forums could provide an opportunity for the DFAA teams to discuss a variety of issues, including consistency in the interpretation and application of the program guidelines as well as the identification of common challenges and solutions.



While a database for clarification of guideline interpretations was previously raised, it was also discussed as a way to reduce program inconsistencies and administrative burden. For example, when PTs have a question, they raise it with the DFAA RO. Should the RO not know the answer, the RO must liaise with the DFAA team in Ottawa which can be time consuming. It was suggested that access to a guideline interpretation database could improve consistency and simplify processes.

Conclusions

Given the increasing severity, frequency and cost of natural disasters in Canada, the DFAA provides an avenue through which the federal government can assist provincial and territorial governments when disaster response and recovery costs place a significant burden and exceed what individual PTs might reasonably be expected to bear on their own.

Since its inception in 1970, the DFAA has remained relatively unchanged. This has meant that it has not kept pace with recent modernization in Emergency Management and is neither fully aligned with the Emergency Management Framework (2017) and Strategy (2019) nor the Sendai Framework for Disaster Risk Reduction (2015). The DFAA is primarily a reactive funding mechanism making things such as mitigation difficult to address as part of the program.



PTs have suggested changes and improvements to the DFAA while recognizing the importance of financial assistance. One of the most prominent changes requested is to the Mitigation Enhancements and IRS provisions of the program. While PTs are pleased this funding is available, the

guidelines and administration are restrictive and the amount available is often insufficient. Due to how the funding is calculated and paid out, there is a risk for PTs of investing money in mitigation that will not be covered by the DFAA.

Given the size and scope of the DFAA, there are a number of teams involved within PS. The roles and responsibilities of these teams are not formally defined and communicated leaving some ambiguity which may create operational gaps and duplication of effort.

Conclusions

While some tools, guidance, processes and procedures exist to support the administration of the DFAA there are opportunities for improvement. Technological resources could be better leveraged in support of sound information management processes. This is especially important given the shift to a more remote work as a result of the COVID-19 pandemic.



The internal control processes for the DFAA are designed and implemented as intended to support the administration of the DFAA. The internal control procedures are supplemented by ICRF reports, audits, and the semi-annual accounting exercise. ICFR reports are presented to departmental management, as well as the DAC. No similar mechanism was in place for the PAU reports.

While the current data collected, meets the requirements for the administration of DFAA, it was noted that additional information could assist in identifying emerging issues related to disaster response, provide a basis for refining the overall program Ts&Cs, and help assess the effectiveness of the program as well as the efficiency of its operations. This is particularly important to ensure that the DFAA remains a modern, fair and equitable means of assisting PTs with response and recovery costs.

Recommendations

The following recommendations are put forth with the understanding that additional resources and/or expertise will be required for their implementation. It is recommended that, in line with ongoing work in the Department including the DFAA Program Review, Public Safety:



1. Revise the DFAA to better reflect current Emergency Management realities and ensure alignment with current frameworks and strategies. This should include an increased focus on all hazards and the importance of mitigation.



2. Establish and implement a formal information management system in support of complete, accurate and consistent program information while considering the information necessary to support decision making and forward-looking policy recommendations.



3. Develop and communicate a framework that delineates internal stakeholder roles and responsibilities throughout the DFAA lifecycle.



4. Explore mechanisms to share lessons learned identified through the DFAA audits with program staff, departmental management, and the DAC, as required, to better support DFAA oversight and decision making.

Management Action Plan

Recommendation	Action Planned	Planned Completion Date
<p>1. Revise the DFAA to better reflect current emergency management realities and ensure alignment with current frameworks and strategies. This should include an increased focus on all hazards and the importance of mitigation.</p>	<p>The DFAA review is ongoing and includes:</p> <ul style="list-style-type: none"> • DFAA Advisory Panel Sessions • Internal policy analysis • Engagement/consultation with provinces and territories 	<p>March 31, 2024</p>
<p>2. Establish and implement a formal information management system in support of complete, accurate and consistent program information while considering the information necessary to support decision making and forward-looking policy recommendations.</p>	<p>Explore options for information management system to support the DFAA, including information sharing and program data.</p>	<p>March 31, 2024</p>
<p>3. Develop and communicate a framework that delineates internal stakeholder roles and responsibilities throughout the DFAA lifecycle.</p>	<p>As part of a revised DFAA program, determine specific roles and responsibilities within PS.</p>	<p>July 31, 2023</p>
<p>4. Explore mechanisms to share lessons learned identified through the DFAA audits with program staff, departmental management, and the Departmental Audit Committee, as required, to better support DFAA oversight and decision making.</p>	<p>Develop mechanism to share best practices and lessons learned with program recipients.</p> <p>Ensure a standing mechanism exists for informing all internal PS stakeholders of lessons learned, updates, or clarifications to DFAA program.</p>	<p>March 31, 2024</p> <p>Quarterly basis – starting Fall 2022</p>

Annex A

Audit Criteria

Governance	
1. Roles and responsibilities of the DFAA program are clearly defined, documented, communicated and understood	1.1 Roles and responsibilities for the DFAA program are clearly defined and documented.
	1.2 Roles and responsibilities for the DFAA program are communicated and understood.
Risk Management	
2. Tools, guidance, processes and procedures to support the administration of the DFAA are available, accessible, communicated and applied	2.1 Tools, guidance, processes and procedures to support employees in the administration of the DFAA are available, accessible and implemented as intended.
	2.2 Relevant information and key decisions stemming from the DFAA are documented and communicated.
	2.3 Relevant financial, risk and performance information is collected, analyzed and used for decision-making.
Internal Control	
3. Appropriate internal control processes are designed and implemented as intended to ensure the administration of the DFAA program.	3.1 Internal control processes are designed and implemented to support the administration of the DFAA. This includes sufficient and appropriate evidence in the exercising of the internal control processes specific to the DFAA.
	3.2 Monitoring of the DFAA administration process is conducted and reported on a regular basis.

Annex B

Evaluation Questions

Evaluation Issue Area/Question
Relevance (Continued Need)
1. Is there a continued need for the DFAA?
2. To what extent does the DFAA align with current disaster management principles?
Performance – Effectiveness (Achievement of expected outcomes)
3. To what extent has the DFAA supported PTs in responding to disasters?
4. To what extent has the DFAA supported provinces in funding limited mitigation measures to reduce the future vulnerability of repaired or replaced infrastructure?
Performance - Efficiency
5. To what extent are the current Ts&Cs and Guidelines sufficient to meet the principles of the DFAA?
6. Does the program have effective and appropriate administrative processes in place?