

Audit of the NSERC Appeals Process

Corporate Internal Audit Division
Natural Sciences and Engineering Research Council of Canada
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1 EXECUTIVE SUMMARY

Background

The Natural Sciences and Engineering Research Council (NSERC) supports post-secondary students in their advanced studies, promotes and supports discovery research, and fosters innovation by encouraging Canadian companies to participate and invest in post-secondary research projects in the sciences and engineering. NSERC is a departmental agency of the Government of Canada and reports to Parliament through the Minister of Industry.

The vast majority of NSERC funding is awarded via a peer review process which involves the assessment of the merit of applications by impartial panels of Canadian and international experts. NSERC applicants are provided with the opportunity to appeal a funding decision and this appeal process is designed to ensure applicants have been treated fairly and consistently.

The appeals process¹ varies slightly from one program to another and normally requires two to three months to complete. The Discovery Grants program receives the bulk of appeals submitted to NSERC. Within NSERC's Research Grants and Scholarships (RGS) directorate, appeals are usually reviewed by external appeals advisors who are senior members of the research community and who have experience with the NSERC peer review processes but were not involved in the original applicant assessment; whereas within the Research Partnerships Programs (RPP) directorate, the review of appeals is mostly completed by senior program officials. In both cases, the final appeal decision is made by officials within NSERC.

Why it is important

NSERC's appeals process is an important step in the grants funding process and has not been included in prior audits of program processes. Furthermore, NSERC management wanted some level of assurance that appeals practices are fair and equitable. The audit could also help benchmark the NSERC process against that of other agencies and identify areas where efficiencies could be gained through streamlining and standardization.

Audit objective and scope

The overall objective of this audit was to review and assess NSERC's appeals process, and to provide assurance on process appropriateness, efficiency and effectiveness. In addition, this audit sought to validate that, regardless of the variety of appeals practices in place, the processes ensure an open, fair, independent and transparent review of funding decisions.

The scope included a review of the current appeals process in a number of programs. It also reviewed the controls and processes in place to ensure consistency and efficiency throughout the appeals process, and compliance with the applicable policies and regulations. The audit interviewed key stakeholders (including external Appeal Advisors, via survey), reviewed documentation, and benchmarked NSERC appeals processes with

¹ See Appendix I for details on the appeal process

other similar organizations to assess the appropriateness and efficiency of the agency's processes.

The audit did not include an assessment of the appropriateness of appeals decisions, but rather, focused on the processes in place to ensure both equitable treatment of applications and fairness of assessments. The timeframe encompassed all appeals in a number of NSERC programs between April 1, 2011 and March 31, 2013. A cross-section sample of small and large programs was used for the analysis.

Key audit findings

The NSERC appeals process is considered to be a final step in the overall NSERC application process, as it provides applicants with an opportunity to seek recourse if an error occurs during the review of their application for funding. NSERC receives approximately 150-200 appeals on an annual basis, based on three grounds for appeal: 1) procedural error; 2) administrative error; or 3) unfairness of assessment. The main findings are outlined below.

Should NSERC allow appeals of funding decisions?

NSERC's programs accept applications for funding from thousands of applicants on an annual basis, which are reviewed and assessed by peer reviewers and adjudication committees. NSERC's appeals process provides applicants with an opportunity to appeal a funding decision, even if funding was awarded, if they think the decision resulted from an administrative or procedural error, or unfairness. The audit found that the appeals process was an effective and essential tool in ensuring that NSERC application process is transparent. It provides an avenue for recourse when potential errors are identified either by the applicants or by staff members (who can initiate an appeal on behalf of the applicant). The audit found that the appeals process builds trust within the community² and is an appropriate final step of the application cycle. Compared to about half of the other similar funding organizations benchmarked (listed in Appendix II) during this audit that do not have a formal appeals process, NSERC is seen as objective and transparent, and is consistent with the values outline in its literature.

Is the NSERC appeals process appropriate?

The audit approach included interviews with NSERC's management and staff, review of processes, survey of appeal advisors, review of appeals files, and benchmarking of similar funding agencies to assess the appropriateness of NSERC's appeal process and criteria. Through the benchmarking exercise, the audit found that NSERC is the only organization to include an element of "unfairness" in their criteria for appealing a funding decision. Grounds for formal appeal in other similar funding organizations are solely based on procedural and administrative error.

In almost every appeal file reviewed, it was found that applicants had referred to all three grounds for appeal. A large majority of the appeals submitted did not build a case for procedural or administrative error, but rather, argued that the funding decision was based on an unfair peer review assessment. Since "unfairness" is a very subjective element, it opens up the question of what is "fair" and what is "unfair" and in the end, forces NSERC to accept an appeal and sending it to appeal advisors. Program staff and management felt that the practice of having a third party review, helped validate and

² The audit collected feedback from appeal advisors, via surveys. These individuals had been applicants, peer reviewers, and peer review committee chairs in the past.

reconfirm their assessment of whether or not “unfairness” was truly the cause of the funding decision. Additionally, analysis further revealed that all successful appeals (less than 10% of all appeals received) were grounded in procedural or administrative errors.

NSERC therefore should consider removing the subjective element of “unfairness” as a ground for appeal which could result in a reduction of appeals received and better align practices with other similar funding organizations.

Is the appeals process effective?

The majority of NSERC’s appeals (approximately 90%) are received within the Discovery Grants (DG) Program; this volume has resulted in the need to adopt a formal set of procedures and guidelines for managing appeals of DG funding decisions. The appeals received in other program areas are small in number and tend to be addressed on an ad hoc basis. As a result, employees outside of the DG program refer to the DG established procedures and adjust them to fit their needs. The practice of adjusting the procedures is understandable in programs with very small number of appeals. However, some variation between teams was also noted within the DG program. These discrepancies affect the quality of the files and could potentially expose the agency to the risk that decisions could not be supported if, for example, an appeal case was escalated to court or was requested through an Access to Information request. In order to ensure appeals are carried out as intended, NSERC should consider formalizing the appeals process throughout the agency, and establish a governance structure through which the process can be discussed, adjusted, and agreed-to, and then monitor adherence to identify and correct nonconformance.

A perception of full transparency and objectivity from the community is essential. This perception could be improved by having program teams review and assess each other’s appeals once received, and/or involving universities in a preliminary assessment of appeal cases before being sent to NSERC. In addition, the audit identified other areas of the process that could be improved by more clearly defining, and then adhering to, the appeals process.

Conclusion

NSERC’s core business is to provide funding to the best talent in the Sciences and Engineering. Competition is fierce, applications are numerous, and unfortunately, program budgets do not grow as quickly as the demand. The current appeals process provides applicants with an opportunity to seek recourse if and when an error occurs, and is an essential step to ensure transparency in the application cycle. This appeal process is also consistent with the values outlined in NSERC literature. In order to strengthen the appeal process and improve overall efficiency of operations, improvements to governance and monitoring, as well as the establishment of a well-defined and consistent process and procedure should be considered to ensure files are accurate, and the appeals information is complete. Once governance is clarified, reports and information on appeals could help inform management decision-making. To further increase efficiency, NSERC could consider restricting the grounds for appeals to only include “procedural or administrative errors” and establish an appeals processing function that is arm’s length from the program areas. As NSERC addresses these recommendations, it should consider engaging its sister agency, the Social Sciences and Humanities Research Council, to align their respective appeals processes, to the extent possible, in order to implement one common appeal process into the new grants management system currently under development.

2 BACKGROUND

The Natural Sciences and Engineering Research Council (NSERC) supports post-secondary students in their advanced studies, promotes and supports discovery research, and fosters innovation by encouraging Canadian companies to participate and invest in post-secondary research projects in the sciences and engineering. NSERC is a departmental agency of the Government of Canada and report to Parliament through the Minister of Industry. NSERC is comprised of five directorates. Appeals are mainly submitted to two of them: the Research Grants and Scholarships (RGS) Directorate and the Research Partnerships Programs (RPP) Directorate.

The vast majority of NSERC funding is awarded via a competitive peer review process which involves the assessment of the merit of applications by impartial panels of Canadian and international experts. These experts are grouped in selection committees (for Discovery Grants these are called Evaluation Groups), and review thousands of applications to then make recommendations to NSERC on funding decisions. The final step of the awards application cycle is the appeals process, which provides applicants with recourse should they feel that a procedural or administrative error or unfairness in the assessment was made during the assessment of their application. NSERC's appeals process guidelines are posted on the agency's website, in which the 'grounds for appeals' are outlined.

The high-level process for reviewing an appeal is³:

- NSERC receives a formal letter of appeal which must demonstrate how the grounds for appeals are met. Alternately the program officer or team leader can launch an appeal on behalf of an applicant if they realize a procedural or administrative error took place.
- The program officer and team leader / program manager review the letter of appeal, original application, and peer review reports, etc., to determine if the grounds for appeals are met.
- The program manager / team leader then decides, on a case-by-case basis, to review the file internally or to send it to an external reviewer (appeal advisor).
- If an appeal is successful, bridge funding of one year is usually provided and the applicant is invited to reapply in the next funding cycle.

The appeals process varies slightly from one program to another, but normally requires two to three months to complete. Within NSERC's RGS directorate, appeals can be reviewed internally, however the vast majority are sent for review to external appeals advisors. These appeal advisors are senior members of the research community who have experience with the NSERC peer review processes but were not involved in the original applicant assessment. Within the RPP directorate, the review of appeals is normally completed by senior program officials. In both cases, the final decision regarding an appeal is made by officials within NSERC.

On an annual basis, NSERC receives approximately 150 to 200 appeals of funding decisions from applicants. Most of the appeals (more than 90%) are made within the RGS directorate, more specifically in the Discovery Grants (DG) program, which is NSERC's biggest grants program and provides over \$300M in annual funding and receives close to 3500 applications. The proportion of appeals that result in a reversal of the original funding decision is approximately 10%.

³ See Appendix I for the detailed Appeals Process

3 AUDIT OBJECTIVE AND SCOPE

The overall objective of this audit was to review and assess the appeals processes, and to provide assurance on process appropriateness, efficiency and effectiveness. In addition, this audit was to validate that regardless of the variety of appeals processes in place, NSERC must have appeals processes that are open, fair, independent and transparent.

The scope included a review of the current appeals processes in a number of NSERC programs. It also reviewed the controls and processes in place to ensure consistency and efficiency throughout the appeals process, and compliance with the applicable policies and regulations. The audit benchmarked NSERC processes with other similar organizations to assess the appropriateness and efficiency of the agency's processes.

The audit did not include an assessment of the appropriateness of appeals decisions, but rather, focused on the processes in place to ensure both equitable treatment of applications and fairness of assessments. The timeframe encompassed all appeals in a number of NSERC programs between April 1, 2011 and March 31, 2013. A cross-section sample of small and large programs was used for the analysis.

4 AUDIT METHODOLOGY

The audit began with a planning phase, where preliminary interviews of programs' management and staff were conducted, documentation was reviewed, and external Appeal Advisors were surveyed in order to understand the appeals processes within NSERC. Following this, a risk assessment was conducted to determine and define the Lines of Enquiry for the conduct phase. The audit program, including detailed audit criteria and procedures, was then designed based on these Lines of Enquiry. The audit benchmarked against other similar organizations in order to evaluate and assess NSERC's existing appeals processes.

This audit engagement was conducted in conformance with the Treasury Board's (TB) *Policy on Internal Audit*, the *Internal Auditing Standards for the Government of Canada*, and the Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing*. These standards require that sufficient and appropriate audit procedures be conducted and that evidence be gathered to provide a high level of assurance on the findings contained in this report. The conclusions were based on a comparison of the situations as they existed at the time against the audit criteria.

5 KEY AUDIT FINDINGS

5.1 Appropriateness of the Appeals Process

NSERC supports over 41,000 students and professors and disburses over \$1.1B in funding on an annual basis. To do this, over 10,000 applications are processed annually by a team that includes not only NSERC staff and management, but also external professionals who volunteer their time as members of peer review committees or as external reviewers. It is a testament to the level of professionalism and thoroughness of both NSERC's staff and the quality of the peer review process that only 1-2% of applicants submit an appeal of the funding decision resulting from the peer review of their proposal.

NSERC's program cycle, though it varies slightly from one program to another, is made up of similar key steps. Once NSERC receives applications and supporting documents, the application is reviewed and assessed by a group of peer reviewers who have expertise in a given field. Based on how applications rank or whether or not they meet the required criteria, applicants may or may not receive funding from NSERC. The final step of the cycle is the appeals process⁴, whereby applicants are provided with an opportunity to appeal the funding decision if they think there was an administrative or procedural error, or unfairness, during the awards process.

5.1.1 It is appropriate to provide NSERC applicants with the opportunity to appeal in order to correct potential procedural or administrative errors.

The audit found that NSERC's appeal process is considered to be, by both NSERC and its external community⁵, an essential step to ensure that the application process is transparent. As in any complex operations, errors can happen, and the appeal process provides an avenue for recourse when potential errors are identified either by the applicants or by staff members (who can initiate an appeal on behalf of the applicant). The audit found that the appeals process builds trust within the community and is an appropriate final step of the application cycle. In order to assess appropriateness, aside from surveys with staff and the community, the audit conducted a benchmarking exercise of similar funding organizations. Within this sample, it was found that the about 40% of these organizations had a formal appeals process to specifically correct instances of procedural or administrative error. NSERC was the sole organization to formally include "unfairness" as grounds for appeal. NSERC's "unfairness" ground for appeal is further examined later in the report, in section 5.2.2.

5.2 Process Effectiveness

NSERC's website explains that the main purpose of the appeal process is to "ensure that the applicant has been treated fairly and consistently in the context of a program that has limited funds"⁶ and further notes that "NSERC strives to provide equitable treatment of applications and fair assessments in accordance with the selection criteria and existing budgetary constraints."⁷ In order to process appeals in a fair, consistent and transparent manner, clear and well-communicated grounds for appeals and tools (including procedures, processes and guidelines) must be in place to guide the practices of the individuals processing the files.

5.2.1 Governance over the appeals process and policy is unclear.

NSERC's governance structure is made up of both internal and external committees which guide its operations, assist with policy development, and are intended to provide oversight to help ensure business operations are consistent, compliant, effective and efficient. The audit found that management's oversight and decision-making role within the appeals process has not been formally documented within the internal management

⁴ See Appendix I for detailed Appeals Process

⁵ The audit collected feedback from appeal advisors, via survey. These individuals had been applicants, peer reviewers, and peer review committee chairs in the past.

⁶ http://www.nserc-crsng.gc.ca/NSERC-CRSNG/Politiques-Politiques/appeals-appel_eng.asp

⁷ http://www.nserc-crsng.gc.ca/NSERC-CRSNG/Politiques-Politiques/appeals-appel_eng.asp

committee⁸ terms of reference. Similarly, NSERC's two external standing committees⁹, which are mandated to monitor certain parts of the applications process (i.e. peer review, awards process), are not formally mandated to monitor or discuss "appeals."

The audit expected that NSERC's would have a specific process for providing information related to policy, directive or process updates and changes to its governance bodies. Instead, the audit found that roles and responsibilities for appeals were informal, which resulted in inconsistent information and communication of appeals information. In addition, more clearly defined and formalized governance requirements over the appeals process would help promote agency-wide consistency of practices.

RECOMMENDATION 1: NSERC should consider clarifying the governing bodies' roles and responsibilities regarding the appeals process and appeals policy to help ensure appeals information is provided to governance bodies and decisions are made at the appropriate level.

5.2.2 NSERC's grounds for appeal could be clarified

NSERC's website is a key resource for applicants, employees and peer reviewers since it provides detailed information related to programs, including the appeal process and the grounds for appeal. The website provides an overview of the agency's appeal process, including its principles and the general resolution timeline. In addition to this, more detailed information is provided for one of NSERC programs with fixed application submission deadlines: Discovery Grants (DG). The audit found that NSERC's grounds for appeal were not defined consistently from one webpage to another. For example, the NSERC appeals policy webpage lists only two separate grounds for appeal, whereas the DG guidelines list three. Some pages provide examples of each ground for appeal, and others simply list the categories. Although the definitions are very closely linked, the variation in wording could cause confusion to applicants and to those assessing whether an appeal meets the criteria.

As noted in the previous section, benchmarking of similar research funding organizations¹⁰ showed that the organizations that accept appeals bases acceptance on procedural or administrative error only. NSERC's grounds for appeal, however, are more subjective since they also include the element of "unfairness." In almost every appeal file reviewed, it was found that applicants had referred to all three grounds for appeal. A large majority of the appeals submitted did not build a case for procedural or administrative error, but rather, argued that the unfavorable funding decision was based on an unfair peer review assessment. During file review, the audit found that only 10% of all appeals processed by NSERC resulted in a reversal of the original funding decision, and that all of the successful appeals were grounded in procedural or administrative errors.

By restricting the grounds for appeal to procedural and administrative error only, NSERC could better align its practices with the other national and international funding organizations and potentially experience a decrease in the volume of the appeals that require review. A reduction in the volume of appeals would not only reduce the resource

⁸ NSERC's internal management committees are: Executive Management Committee (EMC), Strategic Management Committee (SMC), and President's Management Committee (PMC).

⁹ NSERC's two external standing committees are: Committee on Grants and Scholarships (COGS), and Committee on Research Partnerships (CRP).

¹⁰ See Appendix II for a list of organizations benchmarked during the audit.

requirements for processing, but when combined with a more clear and consistent definition the grounds for appeal, agency staff would be better equipped to process appeals in-house, and provide a response to appellants in a shorter timeframe.

RECOMMENDATION 2: NSERC should consider clarifying its grounds for appeal to ensure they are consistently documented and communicated, and should consider revisiting the criteria of 'unfairness' to remove the subjective element which could result in increased efficiencies.

5.2.3 Appeal eligibility has not been defined for all programs

NSERC accepts appeals of funding decisions in all of its programs. During the course of the audit, it was noted that some programs have conditions that could restrict NSERC's ability to provide funding even in the case where an appeal was successful. For example, the peer review feedback to applicants to the Scholarships programs is provided in the form of numerical scores. This information does not lend itself to building a case for procedural or administrative error, and as a result, it is next to impossible for applicants to appeal the results in a credible manner. NSERC may also want to consider determining which programs fund time-sensitive projects or events, and more clearly define how these programs could potentially be restricted¹¹ by requirements outlined in the Treasury Board Secretariat (TBS) Directive on Transfer Payments (April 1, 2008).¹²

Because NSERC has not clearly communicated elements that could essentially restrict an applicant's ability to appeal successfully, there is a risk of allocating time and resources to appeals in program areas where a reversal of funding decision is impossible. By clarifying which programs are open to appeals, NSERC could mitigate the risks of frustrating the research community and of allocating resources to appeal cases that cannot be successful. In addition, this clarification could also ensure that researchers and staff understand the nuances that impact an applicant's ability to successfully appeal a funding decision.

RECOMMENDATION 3: NSERC should consider determining which programs have conditions that could impact its ability to provide funding to applicants following a successful appeal. These programs and their conditions should be clearly documented and communicated to avoid misleading applicants, and to increase process effectiveness.

5.3 Process efficiency, consistency & transparency

NSERC's Discovery Grants program has established an appeals policy, supporting guidelines, and directives because the number of appeals received on an annual basis has made this process a regular step of their application cycle. Due to a smaller number of appeals received by the RPP directorate, the DG tools had been used on an as-needed basis and RPP-specific guidelines or directives were in the early stages of development. Although NSERC's employees who are involved in the appeals process

¹¹ For example, NSERC's "Interaction Grants" support expenses associated with travel and meetings in order to allow researchers to establish contact with industrial partners to identify potential research projects. Similarly, the "Ship-Time Program" allows those holding a Discovery Grant to apply for additional funds to access vessels in support of their research programs. In the event of an appeal, NSERC would be unable to provide funding for events that occurred during the timeframe when the appeal was being processed.

¹² TBS Directive on Transfer Payments, April 1, 2008, Section 6.3.1.

are diligent and thorough, efficiencies could be gained in a few key areas of the process, as outlined below.

5.3.1 Improvements to the appeals policy, processes, procedures and templates could increase consistency and transparency

The DG program's tools are intended to provide their employees and Appeal Advisors with procedures and templates to ensure files are reviewed consistently, and are well documented with the appropriate sign-offs by supervisors and management. Instead of having their own set of documented procedures and tools, the RPP programs refer to the high-level DG program appeals procedure, and modify this procedure to suit the needs of their programs. The audit found that the limited formality and lack of clear procedure around the RPP appeals process, combined with a very low number of annual appeals, led to RPP employees rediscovering and redefining the appeals process on an ad hoc basis. Efficiencies could be gained by providing all NSERC's staff with one common and clear process to rely upon, including instructions on required documentation, management sign-offs, data entry, and internal reporting.

The audit found that RGS's procedures (that includes the DG program) were regularly discussed as a group, and agreed-upon modifications were documented and implemented. Although the DG teams worked together to make these adjustments, the audit found that each program delivery team within the DG program had slightly modified the procedure contributing to some process inconsistencies, and there was little indication that good practices noted within some teams had been shared or discussed by DG program as a whole. For example, the audit noted that one DG team had modified the procedure so that Appeal Advisor recruitment occurred before the appeal submission deadline. As the appeals were received, the team leader was able to assign the files quickly, which resulted in a much faster turn-around time on those appeal files. In addition, the files reviewed by another team were systematic, complete, and provided a level of detail that "told the story" without any gaps. In both cases, replicating these practices could have been beneficial to all teams.

RECOMMENDATION 4: NSERC should consider developing one appeals process for all programs including reporting, as well as file and information management requirements.

5.3.2 There is no agency-wide monitoring of the appeals practices to ensure appeals information and data is consistent and accurate.

The audit found that varied practices in RGS and RPP have impacted the consistency of information captured in the NSERC Awards Management Information System (NAMIS). The steps to ensure appeals data is captured in NAMIS are not always followed which has impacted data completeness and reporting accuracy. As a result, NSERC's ability to track and proactively disclose¹³ its disbursements for grants awarded through the appeals process is dependent on manual processes. The audit found that the high-level appeals process steps are generally adhered to, but found many discrepancies and differences in terms of: 1) the level of detail of the documentation maintained in the physical file; 2) documented evidence that Program Officer and Team Leader's appeal analysis was completed; and 3) the documentation of key decision points. Although

¹³ As per the Policy on Proactive Disclosure, all grants and scholarships of more than \$25,000 must be posted on the Agency's website.

some files were complete and documented in great detail, others lacked key documentation and could be considered incomplete. These discrepancies could expose the agency to the risk that decisions could not be supported if, for example, an appeal case was escalated to court or was requested through an Access to Information request.

RECOMMENDATION 5: In conjunction with the previous recommendation, NSERC could consider defining an appeals monitoring and verification regime to increase data and information accuracy, and also increase the accuracy of reporting of grants awarded. A mitigation and verification regime could also help ensure processes are adhered to, and could increase consistency and file completeness.

5.3.3 Appeal Advisor reports are aligned with the preliminary appeal review completed by NSERC staff

Within the RGS program, Program Officers and Team Leaders complete a two-part internal assessment to determine whether or not the applicant's appeal meets NSERC's grounds for appeal. Once this step is complete, the appeal information is sent to an Appeal Advisor for a third party review of the case. The audit found that the Appeal Advisor's assessment rarely resulted in conclusions that were different from the internal review conducted by program staff. As such, it appears this step is burdensome to staff, and only corroborates NSERC's internal assessment. By clarifying the grounds for appeal and by providing staff with clear procedures and training for the review of appeals, NSERC could complete most appeal reviews internally, and seek an Appeal Advisor review for special cases only.

5.3.4 NSERC's Discovery Grants Program mitigates the risk of perceived conflict of interest by seeking a review of most appeals by an Appeal Advisor.

NSERC DG program adopted the practice of sending the majority of their appeals to third party Appeal Advisors to mitigate the risk of perceived conflict of interest. The audit noted that this practice was prevalent even when various levels of internal review came to the same conclusion that the grounds for appeal were not met. This practice is not only intended to ensure applicants are provided with an independent and objective review, but also to obtain a second opinion. In most appeals, when the appeal argument is grounded in "unfairness," program staff and management felt that a third party review helped validate their assessment of whether or not "unfairness" was truly the cause of the negative funding decision. This third party review by an expert was intended to mitigate the risk of perceived bias and add credibility to the appeal decision. The audit found that this practice was followed mostly within DGP and found to be absent in the Scholarships Programs, and RPP Directorate, where appeal decisions were based on internal review only. The audit also found that this step of the appeals process was the most time consuming and resource intensive because it required Team Leaders to find appeal advisors, review the purpose of the appeal review with them, provide an update on the file, then collaborate to ensure adequacy of the Appeal Report.

RECOMMENDATION 6: NSERC should consider exploring methods to increase operational efficiencies and objectivity of the appeal process, such as: clarifying and better defining the conditions that would require a third-party review; having program teams review and assess each other's appeals once received; involving universities in a preliminary assessment of appeal cases before being sent to NSERC, etc.

6 CONCLUSION

NSERC's core business is to provide funding to the best talent in the Natural Sciences and Engineering. Competition is fierce, applications are numerous, and unfortunately, program budgets have not increased at the same rate as the demand. The current appeals process provides applicants with an opportunity to seek recourse if and when an error occurs, and is an essential step in application cycle. In the DG program, which has the highest volume of appeals, NSERC has clearly defined, documented and communicated the directives and guidelines for those involved in the process. In programs where documentation is not available, the DG tools are relied upon. In order to strengthen the appeal process and improve overall efficiency of operations in this area, improvements to the process should be considered to ensure files are accurate, consistently documented, and the information in NAMIS of quality. In addition, clarifying the roles and responsibilities of governing bodies should also promote consistency of practices, agency-wide.

NSERC should also consider redefining its grounds of appeals to avoid any ambiguity in the assessment of appeals thus increasing the fairness of the whole process. Improved clarity should have a positive impact on resource requirements as well. To further improve overall efficiency and objectivity, NSERC could consider having program teams review and assess each other's appeals once received, and/or involving universities in a preliminary assessment of appeal cases before being sent to NSERC. This revised process could help ensure consistency, but also increase the independence and perception of fairness of the NSERC appeals process. As NSERC addresses these recommendations, it should consider engaging its sister agency, the Social Sciences and Humanities Research Council, to align their respective appeals processes, to the extent possible, in order to implement one common appeal process into the new grants management system currently under development.

7 AUDIT TEAM

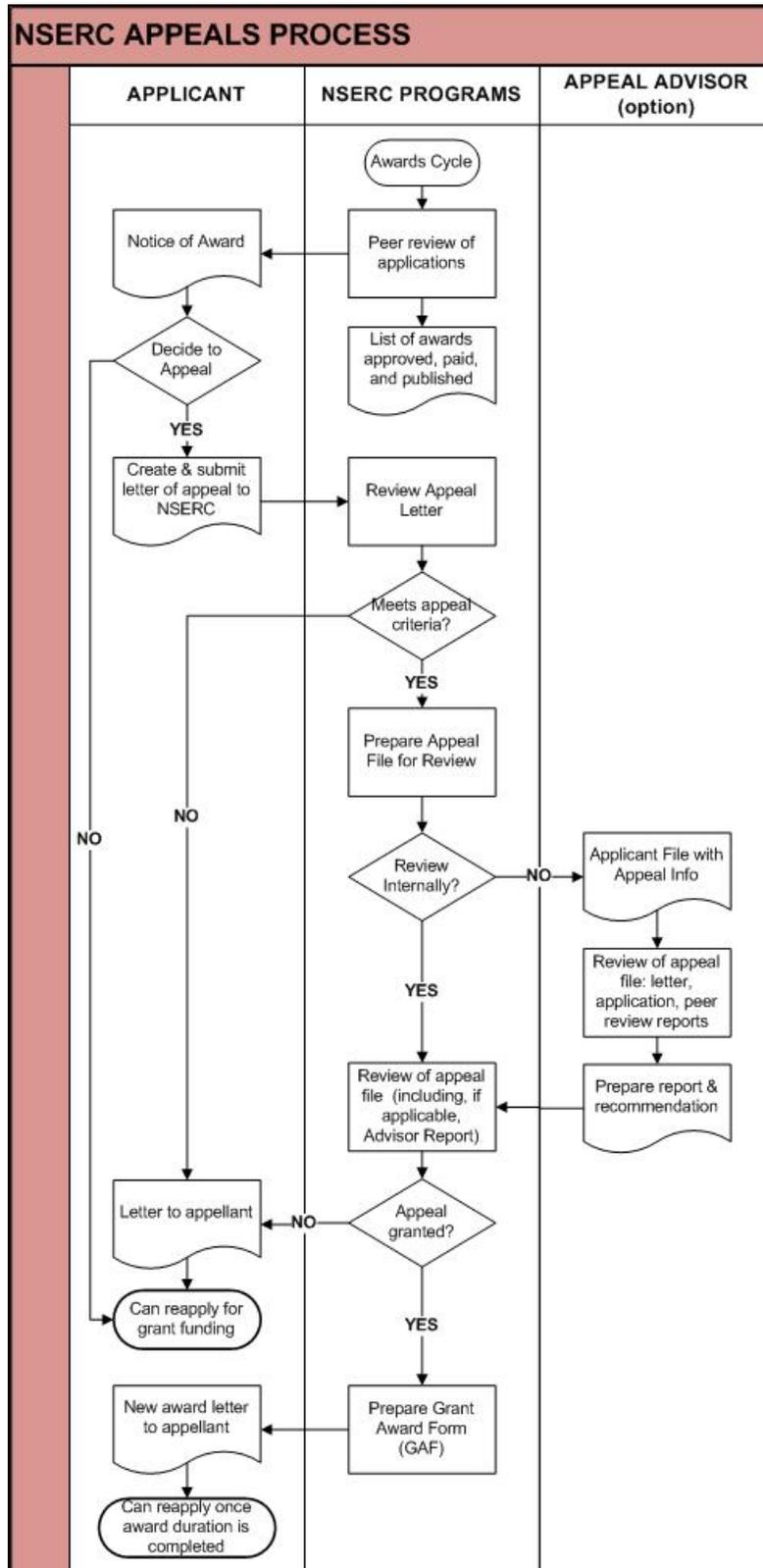
Chief Audit Executive:	Phat Do
Audit Principal:	Benjamin Cyr
Senior Auditor:	Patricia Morrell

8 MANAGEMENT RESPONSE TO AUDIT RECOMMENDATIONS

ITEM	RECOMMENDATION	ACTION PLAN	TARGET DATE
1.	NSERC should consider clarifying the governing bodies' roles and responsibilities regarding the appeals process and appeals policy to help ensure appeals information is provided to governance bodies and decisions are made at the appropriate level.	<p>Agreed. NSERC has convened a multi-divisional Appeals Process Working Group to review and analyse the six recommendations and to develop an implementation plan.</p> <p>The working group will analyze the roles and responsibilities of various committees and working groups comprised of staff or external members to identify the most appropriate group to oversee appeals policy and processes. Endorsement of proposed changes will be sought from COGS and CRP in May 2014.</p>	September 2014
2.	NSERC should consider clarifying its grounds for appeal to ensure they are consistently documented and communicated, and should consider revisiting the criteria of 'unfairness' to remove the subjective element which could result in increased efficiencies.	<p>Agreed. In late November, COGS and CRP were presented with the Audit recommendations and were asked to indicate if they agree to the removal of "unfairness" as a ground to appeal an NSERC decision. Both agreed.</p> <p>Based on their feedback and input, the working group will clarify the grounds for appeal.</p> <p>Update related literature on the NSERC website as well as internal procedures in time for the next cycle of decisions on Discovery Grants.</p>	<p>February 2014</p> <p>March 2014</p>
3.	NSERC should consider determining which programs have conditions that could impact its ability to provide	<p>Agreed.</p> <p>The Working Group will analyse the suite of NSERC</p>	August 2014

	funding to applicants following a successful appeal. These programs and their conditions should be clearly documented and communicated to avoid misleading applicants, and to increase process effectiveness.	programs and define these conditions. It will make additional updates to corporate literature as appropriate.	
4.	NSERC should consider developing one appeals process for all programs including reporting, as well as file and information management requirements.	Agreed. The Working Group will review current processes and harmonize these as much as possible across all NSERC divisions responsible for program delivery.	May 2014
5.	In conjunction with the previous recommendation, NSERC could consider defining an appeals monitoring and verification regime to increase data and information accuracy, and also increase the accuracy of reporting of grants awarded. A mitigation and verification regime could also help ensure processes are adhered to, and could increase consistency and file completeness.	Agreed. The Working Group will review the current processes to identify possible areas of improvement.	February 2015
6.	NSERC should consider exploring methods to increase operational efficiencies and objectivity of the appeal process, such as clarifying and better defining the conditions that would require a third-party review, having program teams review and assess each other's appeals once received, involving universities in a preliminary assessment of appeal cases before being sent to NSERC, etc.	Agree to look into the issue.	May 2014

9 APPENDIX I – Appeals Process



10 APPENDIX II – Benchmarking

As part of the audit of appeals, the audit team conducted a benchmarking exercise to determine whether other funding organizations had appeals processes, and what their grounds for appeals were.

Overall, 40% did have a formal appeals process, and aside from NSERC, the grounds for appeals within these organizations were “errors of procedure or error in administration process.”

The following organizations were included in the benchmarking exercise:

- The Social Sciences and Humanities Research Council
- Canadian Council for the Arts
- Fulbright Canada
- Canadian Institutes of Health Research
- Ontario Trillium Foundation
- International Foundation for Science
- Wenner Gren Foundation (International Collaborative Research Grants)
- Economic and Social Research Council (UK)
- Science Foundation Ireland
- Canadian Diabetes Association
- Harry Frank Guggenheim Foundation (USA)
- BrightFocus Foundation – American Health Association
- National Institute of Allergy and Infectious Diseases, Department of Health, USA
- Canadian Foundation for Innovation
- Australian Research Council
- Netherlands Organisation for Scientific Research
- Joint Information Systems Committee (JISC) - UK

11 APPENDIX III – Lines of Enquiry & Audit Criteria

LoE 1: Compliance The objective is to determine if the NSERC appeals process demonstrates compliance with relevant internal policies, directives and guidelines.	
Audit Criteria	Sources
1.1 – There is a governance structure in place to support the Appeals process	CMC G-2, AC-1 CoCo, B3
1.2 – There are policies, guidelines, and directives in place to support NSERC’s appeals process	CMC ST-5
1.3 – NSERC monitors and reviews compliance with policies, guidelines and directives on a regular basis.	CMC ST-7 COSO MON-A
LoE 2: Consistency, Fairness & Transparency The objective is to determine if the NSERC Appeals Process demonstrates an effective set of controls to ensure fair, consistent and transparent decision-making for appeals.	
Audit Criteria	Sources
2.1 – Operational processes used by internal parties for appeals are well understood, and used by all in a similar manner.	COSO CA-1
2.2 – The process and tools in place for appeals ensure a fair and equitable assessment of all applications	COSO CA-2
LoE 3: Efficiency The objective is to determine if the NSERC appeals process is designed to ensure an efficient use of resources, and to support timely decisions for applicants.	
Audit Criteria	Sources
3.1 – The existing appeals process is designed to provide a timely decision to applicants	COSO IC-B5
3.2 – The appeals process was developed with a regard for efficiency	COSO RA-B
LoE 4: Appropriateness The objective is to determine if the current NSERC appeals process is appropriate, and if it is an essential step to ensure a transparent and fair applicant process at NSERC.	
Audit Criteria	Sources
4.1 – The current appeals process is similar to other funding organizations	Benchmarking
4.2 – The appeals process is essential and mandatory	Central agencies