

December 2016



AN AUDIT OF COMMUNITY GAMING GRANTS

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The Honourable Linda Reid
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Building
Victoria, British Columbia
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Dear Madame Speaker:

I have the honour to transmit to the Speaker of the Legislative Assembly of British Columbia the report *An Audit of Community Gaming Grants*.

We conducted this audit under the authority of section 11 (8) of the *Auditor General Act* and in accordance with the standards for assurance engagements set out by the Chartered Professional Accountants of Canada (CPA) in the CPA Handbook - Assurance and Value-for-Money Auditing in the Public Sector, Section PS 5400.



Carol Bellringer, FCPA, FCA
Auditor General
Victoria, B.C.
December 2016

AUDITOR GENERAL'S COMMENTS

THROUGH THE COMMUNITY Gaming Grants program, the provincial government distributes nearly \$135 million of gaming revenue every year to about 5,000 non-profit organizations in B.C. to run programs to benefit their communities. Over the last decade, this amounts to over \$1 billion awarded to a diverse group of non-profits who, in some cases, rely heavily on this funding and wouldn't be able to provide programs without it.

To manage the program in a way that maintains its integrity, government needs appropriate processes in place to ensure fair and consistent decisions, and that the funding is used as intended. Our audit found that government has a suitable framework in place to administer the Community Gaming Grants program; however, improvements are needed in some key areas.

Government should expand the way it measures and reports the program's success. Detailed public information is already provided by government on how the \$135 million in grants is distributed to non-profits. This is important information but a more robust set of performance measures would provide stakeholders with better information on the program's operations and impacts.

Second, government needs to improve processes to better ensure funding decisions are consistent and well documented. Program staff assess grant applicants against the program guidelines but better documentation of internal policies is needed to help staff assess applications consistently and thoroughly document their decisions. As well, the program guidelines need clarification and updating.

Improvements are also needed to the mechanisms used to award grants outside the regular annual grant process – both the reconsideration process and the process to award special one-time grants for exceptional



CAROL BELLRINGER, FCPA, FCA
Auditor General

AUDITOR GENERAL'S COMMENTS

or extenuating circumstances. These grants only accounted for 111 of the almost 5,000 grant awards in 2015/16, but it is important that all applicants are treated consistently.

We found the documentation to justify the reconsideration decision was not sufficient in a number of the cases we reviewed. A more robust process is needed to help ensure grant recipients are assessed against the original eligibility criteria and decisions are well documented. At the time of our audit, government was already taking steps to improve the reconsideration process.

Similarly, stronger processes are needed for awarding special one-time grants to better ensure decisions are well documented and eligibility criteria are met. As well, government needs to advertise the availability of the special one-time grants to ensure all organizations know about and have equal access to these funds.

Monitoring recipients' use of grant funds is essential to ensuring the funds are used as intended. Government has some good monitoring processes in place like requiring recipients to report on how they use the funds and auditing a number of recipients each year. However, we found a number of grant recipients still received funding even when they hadn't submitted their report on how they used their funding in the prior year. Better processes would help ensure applicants submit the required reports in a timely manner and program staff sufficiently review the reports.

It's also time for government to re-assess whether the program design continues to make sense. Government hasn't stepped back to look at the program since 2011. There are questions that should be answered on a regular basis, such as whether \$135 million is still the right amount of funding and whether there's a better way to provide these grants to non-profits. Continual program review and evaluation is essential for all government programs.

AUDITOR GENERAL'S COMMENTS

We are pleased that government is already taking steps to improve the program. At the time of our audit, this program had already been part of internal reviews resulting in organizational and process changes.

Program staff were also making other specific improvements like creating a customer satisfaction survey for grant applicants. In addition, in April 2016, subsequent to our field work, administration for the Community Gaming Grants program was transferred from the Ministry of Finance to the Ministry of Community, Sport and Cultural Development. The intent was to eliminate the need for co-management of the program, and to increase efficiency and effectiveness.

I'd like to thank everyone involved with this audit, including staff within my office, the ministries and the many grant recipients who took time to speak with us.



Carol Bellringer, FCPA, FCA
Auditor General
December 2016

REPORT HIGHLIGHTS

Community Gaming Grants provide close to

\$135M_{/YR}
to about
5,000 NON-PROFITS

Over
\$1 BILLION FUNDED
in last 10 years

Many non-profits
RELY HEAVILY ON THIS FUNDING

Ministries should
EXPAND THE MEASURES OF SUCCESS
for this program

Program guidelines
NEED CLARIFICATION AND UPDATING



Stronger policies and procedures
needed to better ensure

CLEAR AND CONSISTENT FUNDING DECISIONS



TIME TO RE-ASSESS THE PROGRAM

No review since 2011

Funding the right areas?

Is \$135M the right amount?



Ministries already
WORKING TO IMPROVE
the program

SUMMARY OF RECOMMENDATIONS

WE RECOMMEND THAT THE MINISTRY OF COMMUNITY, SPORT AND CULTURAL DEVELOPMENT:

- 1** develop a complete performance management framework for the Community Gaming Grants program that clearly articulates a comprehensive set of performance measures and requires regular assessment and public reporting of results.
- 2** evaluate, and publicly report on, the Community Gaming Grants program, by assessing:
 - ◆ the program's effectiveness in providing positive contributions to communities
 - ◆ the appropriateness of the program's total annual funding
 - ◆ the need to establish new funding categories or to extend or change existing ones
 - ◆ the funding method used to award grants
- 3** review and update the guidelines for the Community Gaming Grants program so they are clear, complete and approved.
- 4** evaluate the resources in place that support the Community Gaming Grants program to:
 - ◆ assess the procedures, training and information systems that support the grant process
 - ◆ determine resource needs based on its assessment
- 5** document internal policies and procedures to ensure that grant applications are appropriately and consistently assessed.
- 6** evaluate the approach used to assess applications to ensure that non-compliance with program requirements is not occurring.
- 7** implement a robust process to ensure that grant decisions on reconsidered files are fair, consistent, well documented and in accordance with program eligibility requirements.

SUMMARY OF RECOMMENDATIONS

- 8** establish policies and procedures for the special one-time grants so that grants are awarded in a fair, consistent and open manner, in accordance with the special one-time grant framework.
- 9** review the policies to track and review grant recipients' reports to ensure the reports are submitted on a timely basis.

WE RECOMMEND THAT THE MINISTRY OF FINANCE AND THE MINISTRY OF COMMUNITY, SPORT AND CULTURAL DEVELOPMENT:

- 10** develop monitoring policies and procedures to:
 - ◆ ensure sufficient and consistent review is done on reports submitted by grant recipients
 - ◆ define the standard action required to address suspected, or actual, inappropriate use of grant funds
 - ◆ ensure audit results are reported in a way that supports continual improvement

RESPONSE FROM THE AUDITEE

THE MINISTRY OF COMMUNITY, SPORT AND CULTURAL DEVELOPMENT (CSCD) AND THE MINISTRY OF FINANCE appreciate the thorough analysis and thoughtful recommendations of the Office of the Auditor General (OAG) in its review of the Community Gaming Grants program.

As the Auditor General noted, the framework for the administration of the program is suitable and this acknowledgement is appreciated by both Ministries. It is also recognized that there are always opportunities for improvement, and the Ministries accept all the recommendations outlined in the report. The Ministries have already completed three of the recommendations, will have four more complete in 2017 and will implement all of the recommendations by the end of the 2017/18 fiscal year.

The Ministries appreciate the Auditor General's recognition that the Gaming Grants program supports about 5,000 organizations every year that run community programs throughout BC. The Ministries have been actively working to strengthen the program in fulfilling its purpose, and are pleased that with this report the OAG has recognized the key steps the Province has already taken to improve the program, and provided recommendations on additional steps that can be taken to further support communities and not-for-profit organizations.

The Province's priority is to provide exceptional customer service to all grant applicants through the delivery of outreach services, publication of user-friendly program guidelines and timely review of applications. Since the OAG completed its fieldwork,

the Ministries have implemented the following actions related directly to the observations and recommendations from the final report:

- ◆ The program was more fully consolidated into the Ministry of Community, Sport and Cultural Development in 2016, allowing us to streamline the reporting structure and align the program with the community-based mandate of CSCD. The Ministry of Finance continues to audit grant recipients and ensure that gaming funds are being spent appropriately and properly reported.
- ◆ Additional staff have been hired as a consequence of a comprehensive review of resource requirements conducted by the British Columbia Public Service Agency in 2016.
- ◆ In consultation with the British Columbia Association for Charitable Gaming, the program guidelines are being updated to improve clarity, logical flow and usability.
- ◆ A comprehensive policy and procedures manual has been developed to support the consistent and high quality review of grant applications, and a training plan has been put in place to familiarize staff with the application of the policies and procedures.

RESPONSE FROM THE AUDITEE

In addition to the actions that have already been implemented, the Ministry of Community, Sport and Cultural Development is working to strengthen its processes to ensure a consistent, fair and well documented application of the reconsideration process. The two Ministries will also conclude an evaluation of the processes used to identify any grant recipients who may not comply with program eligibility guidelines or with approved uses of their grant funding. This evaluation will consider the risk based audit framework of the Gaming Policy and Enforcement Branch, and the work already underway to strengthen our capacity to address any instances of suspected or proven inappropriate use of grant funds.

The only recommended action that has not yet begun is the adoption of a new performance management framework. This work will begin immediately. The outputs of this framework will allow the Ministry to continue to make incremental improvements to the program while providing additional pertinent information for dissemination to the public.

In conclusion, the Ministry will continue its ongoing efforts to ensure that the program appropriately meets the needs of communities, and the not-for-profit organizations which support their citizens, throughout the province. The Ministries would like to thank the OAG for the thoughtful review of the program and for the opportunity to respond to the recommendations.

BACKGROUND

GRANT PROGRAMS HELP GOVERNMENT ACHIEVE IMPORTANT OBJECTIVES

THE GOVERNMENT OF British Columbia gives out grants each year to organizations throughout the province to support a wide range of community programs, community development initiatives and similar activities. There are currently a number of grant programs in place in various ministries that enable the provincial government to achieve important objectives – such as improved public health and safety – through outside parties, such as non-profit organizations and local governments.

The non-profit sector in particular has benefited from grant funding for decades. This source of revenue helps non-profit organizations, many of which rely heavily on unpaid volunteers, to extend the reach and range of the services they provide for the benefit of communities. The significant contributions of volunteers help non-profits cost-effectively deliver programs in their communities.

In this way, grants are an important means of achieving value for public monies spent in support of community-based programs. Therefore, it is essential that government effectively manage all grant programs to ensure they provide value.

Elements of an effective grant administration cycle

A well-designed grant program has four key elements as shown in [Exhibit 1](#) and described below:

1. *Program planning:* The program must be designed to ensure that its objective can be achieved and its success measured.
2. *Award granting:* The program's grants must be awarded in a manner that is fair and transparent to ensure that grant recipients are treated consistently.
3. *Program monitoring:* The program must be monitored to ensure that public funds are used appropriately and that value is provided for the funds spent.
4. *Program evaluation:* The program must be regularly evaluated to ensure that it is achieving the intended goals and to support continual program improvement.

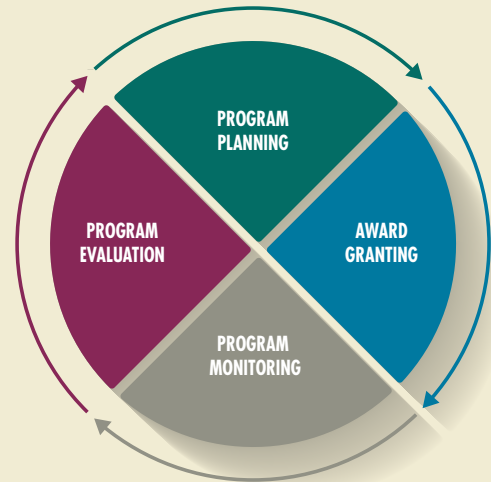
BACKGROUND

COMMUNITY GAMING GRANTS PROGRAM

Commercial gaming revenue – for example, revenue earned from casinos and bingo halls – has been a substantial source of funding for B.C.'s non-profit sector for many years. Today, non-profit organizations can generate revenue for themselves by holding licensed gaming events, or can apply for a grant under B.C.'s Community Gaming Grants program, which is funded from commercial gaming revenues.

The Community Gaming Grants program is one of the largest grant programs in the province (see sidebar). In each of the last five years, it has awarded almost \$135 million to about 5,000 organizations (see [Exhibit 2](#)). Over the last decade, this program has distributed over \$1 billion to non-profit organizations throughout B.C.

Exhibit 1: Grant administration cycle



Source: Prepared by the Office of the Auditor General of British Columbia

EXAMPLES OF OTHER GRANT PROGRAMS IN THE PROVINCE INCLUDE:

- ◆ B.C. Arts Council Grants support arts and cultural activities
- ◆ Multiculturalism Grants support cultural expression and anti-racism programs/projects that raise awareness about or enhance B.C.'s multicultural identity
- ◆ Civil Forfeiture Crime Prevention and Remediation Grants
- ◆ Infrastructure Grants provide funding to local governments through a variety of grant and cost-sharing programs like the Infrastructure Planning Grants and the Build Canada Fund

BACKGROUND

Exhibit 2: Community Gaming Grants awarded, 2011/12–2015/16

| Fiscal year | Grants paid (\$) | Number of grants |
|-------------|------------------|------------------|
| 2015/16 | 134,836,249 | 4,981 |
| 2014/15 | 134,917,800 | 4,979 |
| 2013/14 | 134,913,420 | 5,024 |
| 2012/13 | 134,916,250 | 5,037 |
| 2011/12 | 134,983,942 | 5,260 |

Source: Compiled by the Office of the Auditor General of British Columbia, based on information from the Ministry of Finance, [Gaming Policy and Enforcement Branch website](#)

Community Gaming Grants are awarded to eligible non-profit organizations to help fund programs that benefit communities across six broad sectors (see Exhibit 3). Funding levels vary based on the organization's reach: local, regional and province-wide

organizations are eligible for annual funding up to \$100,000, \$225,000 and \$250,000 respectively. Parent advisory councils are eligible for annual funding of \$20 per student and district parent advisory groups for \$2,500 each year.

Exhibit 3: Sectors funded by the Community Gaming Grants program

| Sector | Sector description |
|---------------------------|---|
| Human and social services | Programs that significantly contribute to the quality of life in a community, including assisting the disadvantaged or distressed, promoting health, or enhancing opportunities for youth. Service clubs, such as Lions, Kiwanis and Rotary, are included in this sector. |
| Sport | Community-based youth and amateur sport programs that consist of organized, competitive physical activities. |
| Arts and culture | Programs that provide public access to the arts (not primarily supporting artists or artistic development) or preserve heritage or culture. |
| Parent Advisory Councils | Parent Advisory Council and District Parent Advisory Council programs that benefit students by enhancing extracurricular opportunities. |
| Public safety | Programs that enhance and support public safety initiatives, disaster relief and emergency preparedness within B.C. |
| Environment | Programs that support B.C.'s environment or protect the welfare of domestic animals and wildlife. |

Source: Compiled by the Office of the Auditor General of British Columbia, based on information from the Ministry of Finance, [Gaming Policy and Enforcement Branch website](#)

BACKGROUND

The history of gaming grants

Gambling and its regulation in B.C. have seen many changes over their forty-five year history. Prior to 1969, the *Criminal Code of Canada* prohibited public gaming with a few exceptions. In the 1970s, following the legalization of gaming, non-profit organizations were able to generate gaming revenue through licenses for bingos and raffles. Community groups could also sell lottery tickets on a consignment basis for a sales commission.

The increase in gaming activities and demand for licenses, coupled with growing police concerns about the lack of regulation, led to the creation of the B.C. Gaming Commission in 1987. The Commission was responsible for developing provincial gaming policy and regulating and licensing gaming events.

Several formal reviews of gaming policy were undertaken between 1988 and 1998. One outcome was the expansion of the Commission's mandate to include the operation of casinos. This marked the end of charitable gambling licenses for casinos, and direct access grants were established to replace the lost revenue that organizations had earned from operating charitable casinos. Bingo affiliation grants were combined with direct access grants in 2010 to form the Community Gaming Grants program that exists today.

In 1999, following the changes to gaming policy, the Government of British Columbia, the BC Bingo Council and the B.C. Association for Charitable Gaming signed a Memorandum of Agreement to govern the parties' actions until legislation was passed. The memorandum set out a formula, giving charitable

organizations one-third of government net community casino gaming revenue, with a minimum of \$125 million indexed to inflation.

The *Gaming Control Act* was introduced in 2002. The Act outlined the responsibilities of the Gaming Policy and Enforcement Branch (the branch) created in 2001, which had consolidated the four agencies previously responsible for gaming: the Gaming Policy Secretariat, the B.C. Gaming Commission, the B.C. Racing Commission, and the Gaming Audit and Investigation Office. The branch's mandate includes the regulatory oversight of the B.C. Lottery Corporation, all gaming services providers and gaming workers, B.C.'s horse racing industry, and licensed gaming events. The branch also provides responsible and problem gambling programs in the province.

The *Gaming Control Act* also allows for the distribution of gaming revenue to eligible community organizations. The amount of funding for the Community Gaming Grants program is approved in the provincial government's annual budget, and has fluctuated over the years. Part 6 of the *Gaming Control Act*, which establishes the Community Gaming Grants program, is under the responsibility of the Ministry of Community, Sport and Cultural Development. Previously, the Ministry of Community, Sport and Cultural Development worked in collaboration with the branch to manage the administration of the Community Gaming Grants program. However, in April 2016, the administration of the program, excluding the audit of grant recipients, was transferred in its entirety to the Ministry of Community, Sport and Cultural Development.

BACKGROUND

WHY WE AUDITED THE COMMUNITY GAMING GRANTS PROGRAM

The Community Gaming Grants program distributes almost \$135 million of gaming revenue annually to non-profit organizations throughout the province. This is a significant amount of annual spending that's important to the viability of many non-profits across B.C. who run programs to benefit their communities.

Community Gaming Grants are awarded to applicants through a demand-driven, non-competitive process. This means that the ministries do not rank or compare applicants. Rather, they assess applications against the eligibility criteria and award grants to eligible applicants. To maintain the integrity of the Community Gaming Grants program, government therefore needs appropriate processes in place to ensure that (1) applicants are consistently assessed against the program criteria; and (2) funds are used as intended and provide value for communities. We wanted to find out whether these processes are in place and operating effectively.

AUDIT OBJECTIVE

WE CONDUCTED THIS audit to determine whether the Ministry of Community, Sport and Cultural Development and the Ministry of Finance have a suitable framework in place to administer the Community Gaming Grants program.

Specifically, we expected that:

- ◆ the Community Gaming Grants program had been designed to support transparent and accountable program delivery
- ◆ appropriate policies and procedures were in place to ensure that grants are awarded in a fair, consistent and transparent manner
- ◆ appropriate processes were being used to ensure that funds were being used in accordance with the requirements in the grant award
- ◆ the intended program results were being evaluated and reported in a timely way

We based our objective and criteria for this audit on:

- ◆ B.C. Ministry of Finance, Core Policy and Procedures Manual
- ◆ Australian National Audit Office, Administration of Grants: Better Practice Guide (May 2002)
- ◆ Australian National Audit Office, Administration of Grants: Better Practice Guide – Implementing Better Practice Grants Administration (December 2013)

Both ministries reviewed and accepted these criteria.

AUDIT SCOPE AND APPROACH

THE AUDIT EXAMINED grants that were processed during the period October 1, 2014 to September 30, 2015, and was completed November 1, 2016.

Our work involved:

- ◆ examining 78 regular grant applications and 13 special one-time grant awards, including electronic and paper records for each applicant
- ◆ interviewing staff from both ministries
- ◆ performing business process walk-throughs of the grant application, payment and monitoring processes
- ◆ visiting seven grant recipients in our sample to discuss their views of the program
- ◆ conducting telephone interviews with other organizations involved in the process
- ◆ analyzing data extracted from the Gaming Online System, a web-based program of the Gaming Policy and Enforcement Branch

We did not audit the organizations that received grant funding.

We conducted the audit in accordance with the standards for assurance engagements set out by the Chartered Professional Accountants of Canada (CPA) in the CPA Handbook – Assurance and Value-for-Money Auditing in the Public Sector, Section PS 5400, and under the authority of Section 11(8) of the *Auditor General Act*.

MINISTRIES RESPONSIBLE

OVERALL RESPONSIBILITY FOR the Community Gaming Grants program rests with the Ministry of Community, Sport and Cultural Development. At the time of our audit, the Ministry of Community, Sport and Cultural Development had overall accountability for the program, but the program was administered by the Gaming Policy and Enforcement Branch within the Ministry of Finance. The branch assessed applications, recommended funding amounts and administered grant payments. The Ministry of Community, Sport and Cultural Development is responsible for approving payment on grant recommendations and managing program policy.

The Gaming Policy and Enforcement Branch was, and continues to be, responsible for auditing a sample of grant recipients each year.

SUBSEQUENT EVENTS

We completed our fieldwork in April 2016. Not long after, administration of the Community Gaming Grants program was transferred from the Gaming Policy and Enforcement Branch in the Ministry of Finance to the Ministry of Community, Sport and Cultural Development. The audit group and the responsibility for auditing grant recipients remains with the Gaming Policy and Enforcement Branch in the Ministry of Finance.

We have not included any impacts of this change in program governance in our report; however, we have redirected our recommendations to the current ministry responsible and reached our conclusion about our findings for government, rather than the individual ministries.

AUDIT CONCLUSION

WE CONCLUDED THAT government's framework for administering the Community Gaming Grant program is suitable, but improvements are needed. Improved accountability and a complete set of performance measures are needed to enable stakeholders to better understand and measure success for the program.

Improvements to policies and procedures are also needed to better ensure that grant awards are fair, consistent and well documented, and that grant funds are used as approved.

KEY FINDINGS AND RECOMMENDATIONS

PROGRAM PLANNING AND EVALUATION

AN EFFECTIVE GRANTS administration cycle should focus on continuous improvement which requires on-going planning and program evaluation. Not only should a grant program be well planned at the beginning, but program design should be updated based on regular program evaluations.

At the onset of a grant program, good planning is essential to ensure that a program is designed to provide value for the public money being spent. Planning should clearly define:

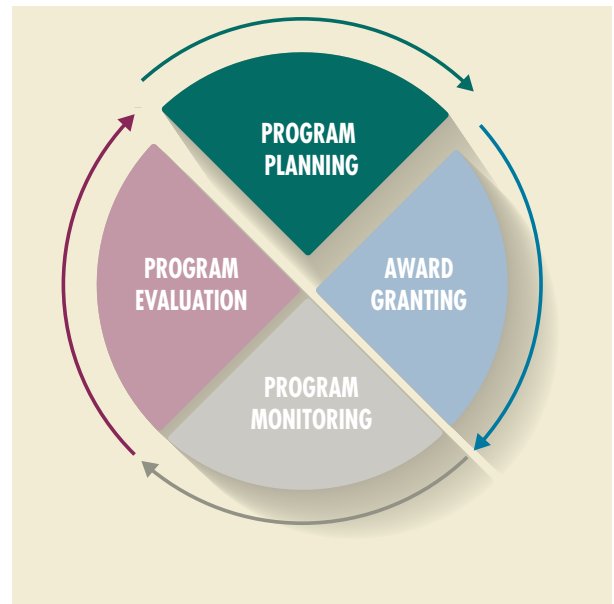
- ◆ what a program is meant to achieve
- ◆ how a program will be delivered
- ◆ how success will be measured

Planning should also involve:

- ◆ developing program guidelines that clearly state who is eligible to receive funding and what projects or activities will be funded
- ◆ assigning responsibility for program delivery and determining what resources and systems are needed to support program administration

Once planned, all programs should be regularly evaluated by management to assess whether:

- ◆ performance targets are being met



- ◆ the program objectives are being achieved
- ◆ the program design still makes sense

Using timely evaluation feedback, management can make ongoing program adjustments and improvements, learn from successes and failures, and revise program design and strategies.

Ministries should continue to focus on improvement

Government programs must be designed to ensure that the funds spent provide value and the program outcomes can be measured. For all grant programs, government should clearly define what it is seeking

KEY FINDINGS AND RECOMMENDATIONS

to achieve and how success will be measured. And, regular evaluation is needed to support continuous program improvements and allow funders and other stakeholders to understand how well the program is working.

For the Community Gaming Grants program, clear performance reporting will allow the ministries to demonstrate how the program aligns with the purpose of the Ministry of Community, Sport and Cultural Development (see sidebar), and contributes to its success.

We therefore expected the ministries to have fulsome performance measures established and processes in place to regularly review and amend the program's elements, and to publicly report the results.

What we found

The Community Gaming Grants program distributes nearly \$135 million of gaming funds to eligible non-profit organizations to fund programs that benefit their communities. Funds are awarded based on *Community Gaming Grant Program Guidelines* which

include eligibility criteria for the sectors that are funded along with detailed information on the types of organizations, programs and costs that can be funded. The detailed guidelines define the objectives for this program in terms of what the program will and will not fund but the ministries should more formally articulate the program's performance measures and expected outcomes to allow stakeholders to better understand the successes of this program.

The Community Gaming Grants program was designed to be community-driven and it allocates funds based on what is applied for. Performance is reported on the success of the program in providing funding to eligible non-profits to support communities and the Gaming Policy and Enforcement Branch tracks and publicly reports detailed information on grants awarded (see [sidebar on Ministries promote accountability](#) and [Exhibit 4](#)). This is important information, but a more robust set of performance measures would provide the general public and stakeholders with a more complete picture of how well the program is operating and being managed and allow the ministries to better report on the success of the program.

“*The Ministry of Community, Sport and Cultural Development brings together key government services and supports which help to make B.C. communities great places to live, work, visit and invest. The Ministry takes leadership in supporting local governments, non-profit organizations and residents to build vibrant and healthy communities that are well governed, liveable, safe, economically resilient, socially and environmentally responsible and full of opportunities for participation in sport and the arts.*”

Source: Excerpt from the Ministry of Community, Sport and Cultural Development 2016/17-2018/19 Service Plan

KEY FINDINGS AND RECOMMENDATIONS

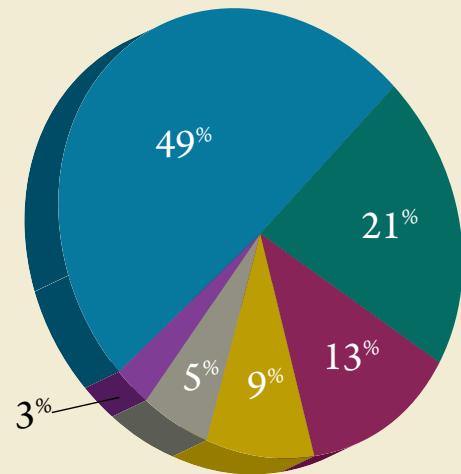
MINISTRIES PROMOTE ACCOUNTABILITY

The ministries already promote accountability, and track and publicly report detailed information on grants awarded each year. This includes how much money they distribute overall by sector, and the amount of individual grants by grant recipient and location. In addition, at the time of our audit, the ministries were developing a customer satisfaction survey.

For a program of this nature, where funding is provided to many non-profit organizations to support the delivery of community programs, it may not be possible to measure outcomes of the programs being delivered. However, the ministries can measure performance of the activities they are responsible for and the impacts of the overall grant program. Some examples of performance measures for grant programs in other jurisdictions include:

- ◆ additional contributions leveraged, such as financial donations or number of volunteers, for grant dollars awarded
- ◆ administrative costs compared to grants awarded
- ◆ quality of decision making process based on a review of a sample of assessments
- ◆ distribution of grants by sector funded
- ◆ customer satisfaction survey results for grant applicants and volunteers
- ◆ number of grant recipients audited each year
- ◆ percent of grant recipients using funds for the purposes intended

Exhibit 4: Gaming grant awards, by sector, 2014/15



| | |
|-------|---|
| ■ 49% | Human and Social Services \$66,622,744 1,650 Grants |
| ■ 21% | Sport \$28,560,620 898 Grants |
| ■ 13% | Arts and Culture \$17,483,880 677 Grants |
| ■ 9% | PACs and DPACs 9% \$11,483,980 1,507 Grants |
| ■ 5% | Public Safety \$7,367,251 137 Grants |
| ■ 3% | Environment \$3,399,325 110 Grants |

Source: Compiled by the Office of the Auditor General of British Columbia, based on information from the Ministry of Finance, [Gaming Policy and Enforcement Branch website](#)

KEY FINDINGS AND RECOMMENDATIONS

MINISTRIES ALREADY IMPROVING THE PROGRAM

At the time of our audit, the ministries were already working to improve the Community Gaming Grants program. The program has undergone several changes in the last few years, with a focus on improving program efficiency and administration. An external review of the program occurred in 2011; and, more recently, internal reviews have been undertaken, including a review of the entire Gaming Policy and Enforcement Branch (which involved some aspects of the Community Gaming Grants program).

These recent studies led to changes in the organizational structure of the grants program and program operations including:

- ◆ the creation of a new team lead position
- ◆ a review and updates to the reconsideration process
- ◆ the development and implementation of a framework for the award of special one-time grants
- ◆ the development of a draft Memorandum of Understanding to clarify ministry roles and responsibilities

Although the ministries have been assessing and improving parts of the program (see sidebar), they have not recently evaluated the overall design of the Community Gaming Grants program to ensure the original program plan continues to make sense. Given the recent changes to the governance of the program, this is an opportune time to step back and reassess the overall design of this program, including several key elements:

- ◆ the effectiveness of the program in providing the intended benefit to communities
- ◆ the appropriateness of the \$135 million in annual funding
- ◆ whether the six sectors funded are in line with program objectives
- ◆ the appropriateness of the funding method used to award grants (we discuss the funding model in the following section)

Non-competitive funding model for grant awards

Grant programs can be delivered in a number of different ways, each with benefits and draw-backs to program effectiveness and efficiency. Government should choose its funding model based on the needs of the particular program, the administrative costs, and the requirement for rigour and fairness in the process. And, once chosen, government should monitor the funding method to ensure it supports current and future program demand.

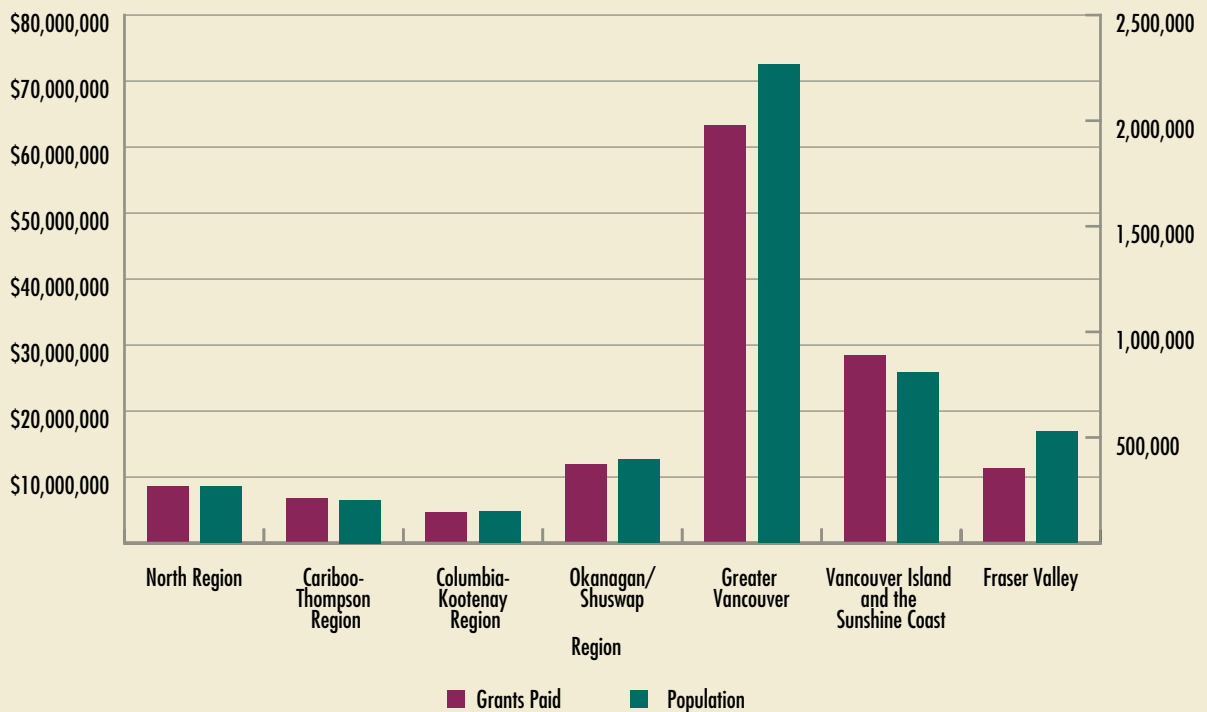
KEY FINDINGS AND RECOMMENDATIONS

What we found

The ministries award gaming grants to applicants through a demand-driven, non-competitive process. This means that the branch does not rank or compare applicants. Rather, it awards grants as it receives and reviews applications. Funding is based on what is applied for and is not allocated by region or district, and thus grant distribution varies across the province (see Exhibit 5 for the distribution of funds across

regions). Alternative funding models were identified by an external consultant, as part of a program review in 2011, and although we did see evidence that government acted on some of the sections of this review, the ministries could not provide us with a documented analysis or rationale for adopting the current funding model. We were therefore unable to determine whether the ministries had considered the risks and benefits of this model.

Exhibit 5: Gaming grants awarded and population, by B.C. region, 2014/15¹



Source: Compiled by the Office of the Auditor General of British Columbia, based on information from the Ministry of Finance, [Gaming Policy and Enforcement Branch website](#), and [British Columbia Electoral Boundaries Commission](#)

¹ This information is based on the location of the applicant, which may not always be consistent with the location where the services are delivered. In particular, for those grants that fund regional or provincial level programs.

KEY FINDINGS AND RECOMMENDATIONS

Risks of a non-competitive funding model

Under the current Community Gaming Grants program funding model, each sector funded has a different application timeframe and applicants can apply for a grant at any time within the designated funding period. The annual total grant funding of \$135 million is allocated among these sectors, based on historical funding levels.

As the branch receives applications and awards grants, it can reallocate funds to be responsive to community needs and what is applied for. This means there is a risk that programs funded at the beginning of the fiscal year may receive more funding than initially allocated, which reduces the funding available for other sectors. Also, for the sectors with a long application timeframe, the branch can award grants as applications are processed. Thus, applicants that apply early may be more likely to receive funding than those that apply at the end of the term, as the available funds are depleted.

Although we did not see, for the samples we reviewed, any grant applicants that were treated inequitably due to the funding model, the risks are still there for this type of non-competitive grant program. Applications are assessed in relative isolation and the ministries cannot predict who will submit applications and for what amounts. Given the importance of grant distribution being seen as fair, transparent and responsive to community needs, it is important to regularly reassess whether the program is designed to achieve the objectives and maintain the integrity of the program.

RECOMMENDATION 1: *We recommend that the Ministry of Community, Sport and Cultural Development develop a complete performance management framework for the Community Gaming Grants program that clearly articulates a comprehensive set of performance measures and requires regular assessment and public reporting of results.*

RECOMMENDATION 2: *We recommend that the Ministry of Community, Sport and Cultural Development evaluate, and publicly report on, the Community Gaming Grants program, by assessing:*

- ◆ *the program's effectiveness in providing positive contributions to communities*
- ◆ *the appropriateness of the program's total annual funding*
- ◆ *the need to establish new funding categories or to extend or change existing ones*
- ◆ *the funding method used to award grants*

Program guidelines are detailed, but there are areas to clarify and update

Program guidelines are the core of any grant program. They outline who is eligible and what will be funded, and include important information for both those delivering the program and those applying for grants. To ensure that grant decisions can be made in a fair

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and consistent manner, we expected the ministries to have developed a complete set of program guidelines, including clear eligibility criteria.

What we found

The ministries have developed a detailed set of program guidelines for the six funded sectors. The guidelines are communicated to potential applicants through the branch's website, through community

outreach efforts, and at regional conferences. These guidelines set out the eligibility requirements for applicants, but there are areas to clarify or update (see sidebar). Both the potential applicants and the grant analysts who assess applications would benefit from having clear and more consistent information.

EXAMPLES OF PROGRAM GUIDELINE AREAS NEEDING CLARIFICATION OR UPDATE

Areas needing clarification:

- ◆ An organization may be eligible if (among other things) it “meets provincial standards for accountability,” but there is no definition of what these standards are.
- ◆ Groups applying for a regional or provincial level grant must “provide programs to a sufficiently large number of people or over a sufficiently large geographic area, as determined by the branch,” but no definition is provided for what is meant by sufficiently large. This is important since funding levels are based on the size of the organization.
- ◆ Ineligible organizations include social enterprises, but clarification is needed as not all social enterprises may be excluded from funding.
- ◆ Eligible costs include capital acquisitions for program delivery, even though capital

projects (over \$20k) are not allowed. This language creates some confusion.

- ◆ Grant funds can be used to “cover costs essential to the direct delivery of the approved program.” There is no definition of what is essential, and the guidelines’ only clarification is a list of what “eligible costs include, but are not limited to.”

Areas needing update:

- ◆ The value assigned to donated general labour is below the minimum wage.
- ◆ Some organization types often need to hang on to grant funds for more than 12 months to save for important purchases. Under the current program guidelines, this is only permitted with permission of the branch, indicating that the guidelines should be reviewed to ensure they reflect differing program needs of each sector.

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RECOMMENDATION 3: *We recommend that the Ministry of Community, Sport and Cultural Development review and update the guidelines for the Community Gaming Grants program so they are clear, complete and approved.*

Joint governance of the Community Gaming Grants program created challenges

A well-designed grant program should have clearly identified roles and responsibilities to support efficient and effective program delivery and to ensure that the authority for decision-making is clear. We expected the ministries to have an appropriate and well-defined governance structure in place to deliver the program.

What we found

At the time of our audit, this program was under joint management. The Ministry of Community, Sport and Cultural Development had overall responsibility for the grant program, and the Gaming Policy and Enforcement Branch at the Ministry of Finance was responsible for the day-to-day operations of the program – including the grant assessment process – under its own ministry executive. The ministries collaborated, but this arrangement resulted in an unavoidable overlap in responsibilities and decision-making and a lack of clearly defined roles. To address this, the ministries were working to clarify roles through the development of a Memorandum of Understanding.

While the ministries did work well together and collaborate, management questioned whether this model was the most effective and efficient approach to program delivery. We shared their concerns.

CHANGE IN PROGRAM GOVERNANCE

In April 2016, after our audit work, the administration (and staff) for the Community Gaming Grants program moved to the Ministry of Community, Sport and Cultural Development, eliminating the joint governance model. We did not assess the analysis in support of this, but we encourage the ministry to take a look at whether the changes have been effective.

Responsibility for auditing grant recipients remains with the Gaming Policy and Enforcement Branch at the Ministry of Finance.

Regular review of resources to deliver the program is needed

A well-planned grant program has sufficiently trained staff in place who can evaluate applications and monitor results. We therefore expected the ministries to have allocated staff resources based on program needs, and to ensure that staff were adequately trained and had access to the information they needed to assess applications and monitor results.

KEY FINDINGS AND RECOMMENDATIONS

What we found

The branch budget for 2015/16 to administer this program, including salaries and direct operating costs, was \$866,000. This does not include costs to audit grant recipients, which are part of a separate division at the branch, or costs incurred by the Ministry of Community, Sport and Cultural Development.

At the time of the audit, there were seven grant analysts at the Gaming Policy and Enforcement Branch who were responsible for assessing the almost 6,000 applications received each year, handling the grants phone line and responding to email inquiries. Dedicated staff also included a team lead and director who reported to the branch executive director. Staff told us they feel pressured by the volume of applications. We did not audit program capacity, but we did expect the ministries to regularly assess internal grant processes, resource requirements and training needs to ensure processes are efficient and appropriately trained resources are in place.

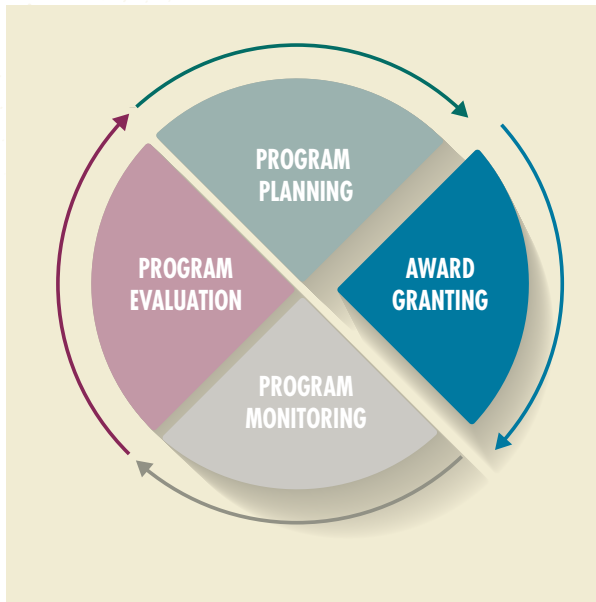
Although the grant analysts receive on-the-job training, there is no training plan or formal training provided (for example, financial or fraud awareness training). This creates a risk that the analysts may not have the training needed to adequately assess the financial information in the grant applications.

We also found the ministries need to make improvements to the Gaming Online System which supports grant application processing, so that grant analysts have reliable information and enhance efficiencies. For example, the risk ranking and financial information is not always correct, which means that grant analysts cannot always rely on the information.

RECOMMENDATION 4: *We recommend that the Ministry of Community, Sport and Cultural Development evaluate the resources in place that support the Community Gaming Grants program to:*

- ♦ *assess the procedures, training and information systems that support the grant process*
- ♦ *determine resource needs based on its assessment*

KEY FINDINGS AND RECOMMENDATIONS



AWARD GRANTING

A fair assessment process is the foundation of any grant program. To maintain program integrity, processes must be in place to ensure that applicants are assessed consistently against the pre-determined eligibility criteria for the program. It is also essential that funding decisions be well documented so the grant process is open, transparent and defensible. The application process must be designed to ensure that grants are awarded to eligible applicants in a fair and consistent manner.

The ministries need to document internal policies and procedures

Internal policies and procedures for assessing grant applications must be documented so that all applications undergo the same review process and all important elements of an application are reviewed.

The policies should address all areas of the assessment process, including the steps to be followed when assessing an application, the essential elements of an application to be reviewed, guidance on decision-making or judgement, and how assessments and decisions should be documented. We therefore expected to find that appropriate and up-to-date policies and procedures are in place, covering all aspects of the application assessment process.

What we found

The almost 6,000 applications each year are assessed by the grant analysts in the Gaming Policy and Enforcement Branch. The analysts make funding recommendations that are reviewed by the grants program team lead or director, and then the executive director, before being submitted to the Ministry of Community, Sport and Cultural Development, which ultimately approves the grants.

When assessing applications, grant analysts review, among other things:

- ◆ information about the organization applying
- ◆ details on the program to be funded
- ◆ a description of the community benefit expected from the applicant's program
- ◆ organization and program budget and financial information

Grant analysts use the eligibility criteria included in the Community Gaming Grants program guidelines to assess applications, but few documented internal policies and procedures are available to guide the

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assessment process. This creates the risk that analysts might not always follow the same process to assess an application, not all eligibility criteria are assessed or that guidance on how to apply the eligibility criteria may be lacking.

Although we found that assessment notes are included in the applicant's file, the branch has no standard process for documenting the work done to assess applications. A checklist does exist, but its use is not required, nor does it include all the program guideline requirements that must be met. We found that the documentation in files varied and, in some cases, we could not understand the judgement applied or what was reviewed (see sidebar).

The ministries do not strictly apply program guidelines

Guidelines for any grant program should provide details on the eligibility criteria that must be met for a grant recipient to receive funding. To ensure funding decisions are fair, we expected all grant applications to be assessed consistently against the established eligibility criteria in these guidelines, and all funding decisions should be consistent with the guidelines.

What we found

In our sample, some applicants that did not fully meet the eligibility criteria still received funding. In most cases, this resulted from grant analysts permitting leeway in applying the eligibility criteria, or from the risk-based approach used to assess applications (which means that not all eligibility criteria are assessed each year).

MORE DOCUMENTATION TO SUPPORT GRANT DECISIONS NEEDED

For some of the samples we reviewed, the documentation did not clearly support the judgement made by those assessing the application. Some examples:

- ◆ A grant recipient was awarded less than applied for but the documentation did not clarify the basis for the funding decision
- ◆ A grant analyst's support for the funding decision was stated as "based on prior year" with no further discussion to indicate why
- ◆ A grant analyst identified possible ineligible costs in the application assessment but the documentation did not make it clear how these items were followed up
- ◆ A grant analysts' documentation did not show how eligibility for financial need was assessed and the applicant's information did not demonstrate this

KEY FINDINGS AND RECOMMENDATIONS

When applicants are missing eligibility criteria, grant analysts can issue a warning to the applicant rather than deny the grant outright. This happens when the missing eligibility criteria are not considered to be a deal breaker or the deficiency is within an acceptable range. For example, omission of a prior-year report on how gaming grant funds were used, alone, is not considered a basis for denial (see sidebar). In addition, for two applicants we reviewed, the ministries provided funding to long-time applicants who were no longer fully eligible. The ministries told us they allow this flexibility given the hardship the organizations would face if funding were immediately cut off.

In a program like this, with a wide variety of grant applicants, some flexibility may be required. However, with flexibility comes the risk of inconsistent treatment.

The branch uses a risk-based approach to assess applications. This means that not all elements of eligibility criteria are reviewed each year. For example, certain board requirements, such as the requirements for a democratically elected board, are reviewed only for first-time applicants. And the requirement for financial need is not assessed for repeat applicants that are using the short-form application process. As a result, the grant analysts do not always identify that certain eligibility criteria are not met or that ineligible applicants receive funding.

While we agree that the use of a risk-based approach to assess applications is appropriate, we feel it should be reviewed on a regular basis to ensure it is not resulting in non-compliance with program requirements.

Also, of the 78 grant recipients we reviewed, we found three that were ineligible to receive funding because of errors in the application assessments (see [sidebar on Grants awarded when applicants didn't meet guidelines](#)).

EXAMPLES OF LEEWAY GIVEN WHEN APPLICATIONS ARE ASSESSED

- ◆ To be eligible for a grant in succeeding years, the program guidelines require applicants to have submitted their latest Gaming Account Summary Report (GASR), which summarizes how they used the prior-year grant. Seventeen of the applicants we reviewed received funding even though they had not submitted one or more GASR (and one recipient had not submitted four of them).
- ◆ Under the eligibility requirement, if an organization is a registered society, it must be in good standing with the B.C. Registrar of Companies. Three applicants awarded funding were not in good standing.
- ◆ To demonstrate financial need, applicants must have no more than 50% of their next year's operating budget in cash on hand. One applicant awarded funding was over this threshold by a small amount.

KEY FINDINGS AND RECOMMENDATIONS

GRANTS AWARDED WHEN APPLICANTS DIDN'T MEET GUIDELINES

In two cases, applicants did not meet the eligibility requirement to demonstrate financial need, yet still received funding. Both applicants had over 100% of the cash required to fund next years' program, even though only 50% is allowed. The purpose of this threshold is to ensure applicants need grant funding to run their programs. (Both applicants

had also not submitted their prior-year report and did not fulfill the requirement for having a democratically elected board.)

In a third case, the application was incomplete and no budget was included for the program as required. As a result, the applicant did not demonstrate funding eligibility.

RECOMMENDATION 5: *We recommend that the Ministry of Community, Sport and Cultural Development document internal policies and procedures to ensure that grant applications are appropriately and consistently assessed.*

RECOMMENDATION 6: *We recommend that the Ministry of Community, Sport and Cultural Development evaluate the approach used to assess applications to ensure that non-compliance with program requirements is not occurring.*

consistently and funding decisions are transparent, applications should be assessed against the original eligibility criteria included in the program guidelines and funding decisions should be well documented. This is particularly important to ensure so there is no potential for files under reconsideration to be given preferential treatment. We therefore expected decisions made on reconsideration to be well documented and in accordance with the program guidelines.

What we found

At the time of our audit, the ministries had identified the reconsideration process as an area of concern, given the large number of reconsideration requests the branch receives, and the high post-review approval rate. The ministries were in the process of updating the branch's internal review procedures that guide this process. We found that although the approval rate for the reconsideration process had been very high (see [Exhibit 6](#)), the rate had decreased notably in 2015/16, as the ministries worked to improve the process.

The ministries are reviewing the reconsideration process

Grant applicants may apply for a review of the original funding decision made on their application. This is called the reconsideration process, and it is sometimes coupled with inquiries from outside parties or advocates questioning the original funding decision made. To ensure that applicants are treated

KEY FINDINGS AND RECOMMENDATIONS

In 2015/16, grants awarded under the reconsideration process accounted for 95 of the 4,981 grants awarded. In 9 of the 13 files we reviewed, we found insufficient documentation to justify the reconsideration decisions, which corroborates the ministries' concern over this process (see sidebar). Improvements are needed to the process to ensure grant recipients are assessed against the original eligibility criteria and decisions are well documented.

We also found that, under the current framework, the staff who make funding recommendations are also a point of contact for grant applicants or other advocates. We recognize the importance of having an avenue for applicants or advocates to inquire about funding decisions, but better separation of these inquiries is needed from grant decision making.

Exhibit 6: Number of reconsiderations of Community Gaming Grant program applications processed and approved, 2013/14–2015/16

| Year | Number of reconsiderations processed | Reconsiderations approved after review (%) |
|---------|--------------------------------------|--|
| 2013/14 | 451 | 73% |
| 2014/15 | 406 | 74% |
| 2015/16 | 208 | 46% |

Source: Compiled by the Office of the Auditor General of British Columbia, based on information from the Ministry of Finance, Gaming Online System

RECOMMENDATION 7: *We recommend that the Ministry of Community, Sport and Cultural Development implement a robust process to ensure that grant decisions on reconsidered files are fair, consistent, well documented and in accordance with program eligibility requirements.*

JUSTIFICATION FOR RECONSIDERATION APPROVAL

For the files we reviewed, examples of insufficient justification for the reconsideration decision include:

- ◆ The grant approver documented that she/he would take a “leap of faith” and direct the applicant to provide sufficient justification in the next year.
- ◆ The grant approver documented that the grant was approved “with a twist.” The reconsideration provided additional funding to another applicant who was not part of the original application.
- ◆ An applicant was approved funding under reconsideration because the structure of the organization was updated. However, this did not address the original denial, which was that the applicant did not run its own programs.

KEY FINDINGS AND RECOMMENDATIONS

The ministries are making improvements to the process of awarding special one-time grants, but more is needed

In addition to the regular annual gaming grant process, funding is also available for exceptional circumstances where an organization is not eligible for a regular grant or where the funding is required for extenuating circumstances, such as an emergency. In 2015/16, \$2.5 million in special one-time grants were awarded to 16 applicants.

We expected, for special one-time grants to be awarded in an equitable manner, that:

- ◆ information would be publicly available
- ◆ all applicants would be assessed against pre-determined criteria
- ◆ appropriate documentation would be created to support decisions

What we found

The ministries have been working to improve the process for one-time grants but more is needed. Before 2014, there was little documented criteria to assess applications for special one-time grants. Although the ministries have now established a framework with eligibility requirements, these criteria are broad and allow for a number of circumstances to be funded.

We also found that the process for this assessment needs further improvement so that funding decisions are well documented. Providing special one-time grants means there is less funding available for eligible applicants. Therefore, it is essential there are clear and specific eligibility criteria to ensure this funding is only

provided under the specific circumstances, and that processes are in place to ensure funding decisions are well documented.

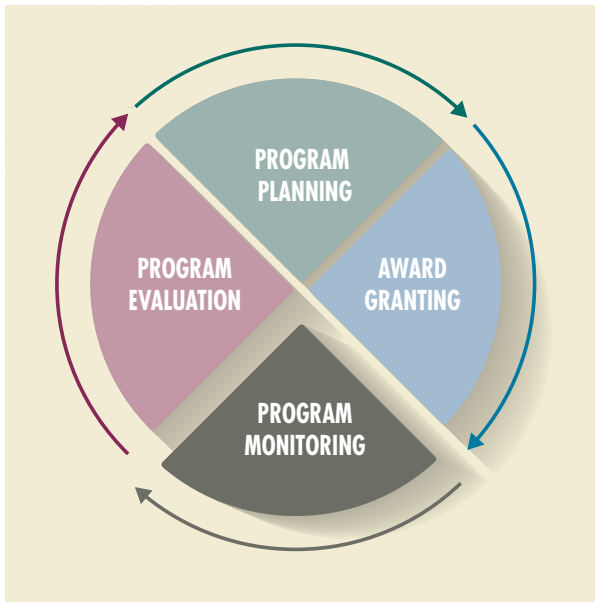
We also noted that the ministries do not advertise the availability of the special one-time grants. This means that organizations might not know it exists, resulting in inequitable access to funds.

As well, two of the applicants funded through this mechanism were not eligible under the framework, and there was no documentation to show the applicants had been assessed against the eligibility criteria. Both organizations have been funded annually for several years – even though this program is intended to fund exceptional circumstances and provide funding no more than once every four years. One program has been funded for three years and another for eight years. Combined, these two programs have received over \$3.7 million in special one-time grant funding since 2009. The ministries could not provide the current year funding letter given for these two grants to specify the purpose of the funds, and one recipient had not yet been audited.

Even though these are important community programs, they did not meet the eligibility criteria for a special one-time grant. The ministries told us they are looking for a more appropriate source of funding for these programs, because simply eliminating funding can be too detrimental to a program or community.

RECOMMENDATION 8: *We recommend that the Ministry of Community, Sport and Cultural Development establish policies and procedures for the special-one time grants so that grants are awarded in a fair, consistent and open manner, in accordance with the special one-time grant framework.*

KEY FINDINGS AND RECOMMENDATIONS



PROGRAM MONITORING

A key risk in any grant program is the potential for inappropriate use of public monies. It is therefore essential that any grant program have a monitoring framework to ensure that public funds are being used as intended and value is provided for the money spent. An appropriate monitoring framework includes clear reporting requirements for grant recipients (to report how grant funds are used) and processes for the branch to review applicants' reports and conduct field audits. Clear policies should also be in place for action required where funds have not been used as intended or where other concerns are identified.

The ministries do not strictly enforce grant recipient reporting requirements

Without timely reporting by grant recipients, the ministries cannot assess whether public funds are used as intended and take action if they are not. We therefore expected the ministries to have well-established reporting requirements to ensure that grant recipients are reporting in a timely way on how they use their gaming grant funds.

What we found

Although clear reporting requirements exist, improved processes are needed to ensure these requirements are fulfilled. Grant recipients must submit a Gaming Account Summary Report within 90 days after their fiscal year-end. This report details how the grant funds were spent and provides information on the community benefit achieved.

Of the 78 applications we reviewed, 23 were missing at least one prior-year financial report (we found a total of 39 missing reports). Of those, 17 still received funding the following year. A written warning was included in the grant letter in almost all cases, but there were usually no other consequences for a missing report on the use of prior-year grant funds.

We also found that the Gaming Policy and Enforcement Branch does not centrally track reporting requirements. The branch will look for, and review, an applicant's prior-year report when it reviews a new application. However, if a grant recipient does not apply for a future grant, there is no process for reviewing the report, and a missing report would not be detected.

KEY FINDINGS AND RECOMMENDATIONS

RECOMMENDATION 9: *We recommend that the Ministry of Community, Sport and Cultural Development review the policies to track and review grant recipients' reports to ensure the reports are submitted on a timely basis.*

The ministries should improve monitoring of grant recipients

Monitoring recipients' use of grant funds and the impact on communities is essential to knowing whether a grant program is providing value for money. We expected the ministries to be monitoring how grant recipients are spending funds and, if there were concerns about it, to be taking action.

What we found

The ministries use two main methods to monitor whether grant recipients are using the funds for the purposes intended:

- ♦ reviewing the recipients' Gaming Account Summary Report
- ♦ auditing a sample of grant recipients each year

Reviewing the Gaming Account Summary Report

We found that although grant analysts review grant recipients' Gaming Account Summary Reports, there is no documented procedure on what they must review or how they should document their work. This means there is no consistent way to assess reports submitted by grant recipients. And, in the 78 files we reviewed, the level and amount of analysts'

documentation varied considerably. For recurring grant applicants, the review of the Gaming Account Summary Report is vital information that feeds into the grant decision-making process each year. Through proper review of previous summary reports, grant analysts can make informed decisions on the current-year application.

In 2014/15, about \$5.8 million in grants was awarded to service clubs. Those clubs can in turn re-grant funds to organizations or individuals in their community. We found that the branch relies on the service club to monitor how the funds are used. The branch does require service clubs to report on how the funds are donated, but that applies only to the initial grant. No monitoring (or auditing) is done by the branch on how the recipient organizations spend their funds.

Auditing a sample of recipients

A separate audit group in the branch audits a sample of grant recipients each year. The audit group audits applications where the grant analyst has submitted a request for auditing to address areas of concern. And, the audit group selects a sample using a risk-based approach to target areas of concern.

We concluded that the audit strategy is appropriate: the audit work is being sufficiently and appropriately reviewed and results are reported to grant recipients and followed up. However, the overall audit results could be better summarized and reported to branch senior management, so that management can more easily identify common areas of concern and necessary improvements.

KEY FINDINGS AND RECOMMENDATIONS

We also found that although grant analysts and auditors follow general practices, the ministries have no documented policies about the actions to take when deficiencies are identified, or about who has authority for taking action, including:

- ◆ when a file should be referred to the audit group
- ◆ if and how funds should be recovered or repaid to the gaming account
- ◆ when future funding is disallowed
- ◆ what to do if fraud is suspected

RECOMMENDATION 10:

We recommend that the Ministry of Finance and the Ministry of Community, Sport and Cultural Development develop monitoring policies and procedures to:

- ◆ *ensure sufficient and consistent review is done on reports submitted by grant recipients*
- ◆ *define the standard action required to address suspected, or actual, inappropriate use of grant funds*
- ◆ *ensure audit results are reported in a way that supports continual improvement*



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