

**BACKGROUND**

- 8.1** The Office of Health Promotion (OHP) was created in 2002 by Order in Council 2002-593 which brought together the former Nova Scotia Sport and Recreation Commission with certain programs that had previously been the responsibility of the Population Health Branch of the Department of Health (DOH). The responsibilities of the OHP, as described in its Business Plan, include:
- addictions;
  - chronic disease prevention;
  - communications and social marketing;
  - healthy eating;
  - healthy sexuality;
  - injury prevention;
  - physical activity; and
  - tobacco control.
- 8.2** Exhibit 8.2 is an organization chart for the OHP. Sport and Recreation is one of its program areas.
- 8.3** The mission of the Office of Health Promotion is:
- “Through leadership, collaboration and capacity-building:*
- *Strengthen community action and enhance personal skills that promote health and prevent illness and injury*
  - *Create and sustain supportive environments for health improvement and healthy public policy development*
  - *Support reorientation of health and other services to enable population health” (Office of Health Promotion’s 2005-2006 Business Plan, page 4)*
- 8.4** To achieve this mission, Sport and Recreation provides policies, programs and services in four main categories:
- development and support of physical activity, sport and recreation organizations, public agencies and communities;
  - promotion and support of active healthy lifestyles;
  - quality, safe and equitable sport and recreation opportunities and experiences; and
  - provision of regional services which support the implementation of policy.

**8.5** The OHP's approved estimate for 2004-05 was \$18.5 million. Of that amount, \$8.1 million related to the Physical Activity program which is the responsibility of Sport and Recreation. The major categories of expenditures for the Physical Activity program were as follows:

Grants	\$6.2 million (76%)
Salaries	\$1.4 million (17%)
Operating costs	<u>\$.7 million</u> (9%)
Gross expenditures	\$8.3 million (102%)
Less: Recoveries	<u>(\$ .2 million)</u> (2%)
Net expenditures	<u>\$8.1 million</u> (100%)

**8.6** The program area employs 23 staff. It has six regional offices which are each staffed by a regional representative and an assistant.

**8.7** Our audit focussed on the grant programs administered by the Sport and Recreation program area. The role of the Sport and Recreation program area is to ensure that grants are allocated to appropriate partner organizations which are capable of assisting the Office of Health Promotion in achieving its objectives for excellence in physical activity, sport and recreation. Sport and Recreation also must ensure adequate accountability from grant recipients. Finally, the OHP and Sport and Recreation need to be accountable to the House of Assembly for spending, performance and compliance with legislation.

**8.8** It should be noted that Sport and Recreation does not deliver sport, recreation and active living programs and services. Rather, it provides leadership and support including grants to partner organizations in the field of sport and recreation which actually deliver services. The partner organizations are often small, not-for-profit organizations with volunteer boards. Administration of grants to such organizations is a challenge because they do not have extensive financial or human resources to undertake elaborate accountability processes.

**8.9** This was our first broad scope audit of the Sport and Recreation program area of the Office of Health Promotion.

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## RESULTS IN BRIEF

**8.10** The following are the principal observations from this audit.

- The Office of Health Promotion's Sport and Recreation program area has reasonable planning and financial management processes which comply with requirements specified by central government. The linkages between various aspects of the planning process are apparent, and progress in achieving goals is tracked. We recommend the provision of periodic reports on progress in achieving the strategic plan.

- Over the past two years, the Department has received a total of \$5.7 million in “strategic initiative” funding, of which \$5.3 million was allocated for recreation facility construction. These grants were approved by Executive Council and required additional appropriations. They were not subject to the regular Estimates process. These amounts should be budgeted like other grant programs and approved by the House.
- Controls over awarding and monitoring of grants are generally adequate.
- We found cases where grant payments for specific projects had been made in advance. We recommend that OHP and financial support staff at DOH develop policies which require analysis of all advance payments before they are made to determine (1.) whether the advance is necessary, and (2.) the appropriate fiscal year for recording of the related expenditure in accordance with generally accepted accounting principles.
- The accounting and control over unpaid grant amounts at year end needs to be improved. Cheques for final grant payments are requisitioned prior to year end and then held in various offices until recipients meet conditions for payment. At the time of our audit, one month after year end, cheques with a value of \$1.1 million were being held in unsecured storage locations which results in risk of loss. Subsequent to the audit, management developed and implemented a policy on the security of cheques.

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## AUDIT SCOPE

- 8.11** The objectives for this assignment were to assess:
- the process for awarding Sport and Recreation grants and holding the recipients accountable for expending funds for purposes intended, in compliance with agreements, and with due regard to economy and efficiency;
  - the Office of Health Promotion’s planning processes; and
  - the Office of Health Promotion’s ongoing financial management including monitoring of financial results.
- 8.12** Criteria were developed from various sources including policies of the Nova Scotia government and publications of the Office of the Auditor General of Canada and the Treasury Board of Canada Secretariat.
- 8.13** Our audit approach included interviews, review of documents, analysis of expenditures and detailed testing of a sample of grants disbursed in 2003-04 and 2004-05.

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## PRINCIPAL FINDINGS

### Planning

- 8.14** **Strategic plan** - The purpose of a strategic plan is to set out an organization's priorities and long-term direction. A business or operational plan annualizes and details the more specific goals, priorities, resource requirements and activities to be undertaken to support achievement of the strategic plan.
- 8.15** The OHP prepared a strategic plan, *Healthy Nova Scotia - Strategic Directions for the Office of Health Promotions*, which was released in April 2004. The Strategic Plan was a collaborative effort and based upon input from OHP staff and external stakeholders.
- 8.16** The strategic plan includes a vision, mission, overall goals and guiding principles for OHP. Long and medium-term goals as well as short-term strategies and goals were developed for each of the eight strategic areas. Physical activity is one of the strategic priority areas of OHP.
- 8.17** OHP established an Office of Health Promotion Advisory Committee in late 2004. The Committee provides advice on program issues, strategic directions, policy and inter-sectoral collaboration initiatives proactively and in response to requests; and on annual and long-term priorities.
- 8.18** OHP is in various stages of implementing the short-term strategies in the plan. To date, there has been no formal status report on the implementation of the strategic plan. However, reporting on progress in achieving certain strategic initiatives is included in the Quarterly Report to Treasury and Policy Board, the annual Business Plan and the Accountability Report.

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### Recommendation 8.1

**We recommend OHP release annual or biennial progress reports on the implementation of the strategic plan.**

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- 8.19** **Business plan** - Government departments are required to prepare an annual business plan using guidelines issued by Treasury and Policy Board. We reviewed the 2004-2005 Business Plan for OHP and concluded it was prepared in accordance with government guidelines. The Office's Business Plan makes reference to the Government Business Plan and Department of Health publications such as *Your Health Matters - Working Together Toward Better Care* (a plan for the future direction of health care in Nova Scotia). We observed linkages between the strategic plan and the Business Plan including linkages relating to the Sport and Recreation program area.
- 8.20** The Business Plan includes Sport and Recreation's priorities for 2004-05 which are reproduced in Exhibit 8.1.

- 8.21** **Staff work plans** - The OHP's Business Plan is used to prepare individual work plans for staff of the program area. Staff is required to report monthly on the activities undertaken to achieve work plans. All strategies and objectives for the Sport and Recreation program area in the Business Plan were included in the work plans. The information is summarized in the annual Accountability Report.
- 8.22** **Performance measures** - In order to determine whether intended results are being achieved, an organization needs to have credible information on the performance of its programs and services. OHP has identified performance measures in its Business Plan and Accountability Report to track results for business areas.
- 8.23** The Sport and Recreation program area has established two performance outcomes and measures for Physical Activity which are included in its 2004-05 Business Plan (pages 17 and 18):
- the work of OHP (and partners) focused on physical activity, sport and recreation will contribute to the health and well-being of Nova Scotians as measured by: Leisure-time physical activity of the adult population; and
  - the work of OHP (and partners) focused on physical activity, sport and recreation will contribute to the health and well-being of Nova Scotians as measured by: Physical activity of children and youth.
- 8.24** For each outcome, baseline data and targets for 2009-10 have been established. Strategies to achieve the targets (such as the Active Kids/Healthy Kids initiative and improved physical facilities) are identified in the Business Plan.
- 8.25** Statistical information on the physical activity levels of adults is obtained from Statistic Canada's Canadian Community Health Survey which is conducted on a two-year cycle. Statistical information on the physical activity levels of children is obtained from research performed in Nova Scotia on the physical activity levels of children. The Office plans to update this information every four years.
- 8.26** Sport and Recreation has established overall goals and objectives for the various grant programs. Qualitative and quantitative performance measures have been established for some, but not all, grants. The performance measures provide information on whether the goals identified for the specific grant were achieved as well as whether the projects undertaken have contributed to the achievement of the program goals and objectives.
- 8.27** The Federal/Provincial/Territorial Ministers of Health have set a national target to increase levels of physical activity by 10 percentage points in each province and territory by the year 2010. This target has been incorporated into various programs which contribute to achievement. For example, the Active Kids/Healthy Kids program has adopted a similar target (to increase, by 10 percentage points, the number of children and youth who are moderately active at least 60 minutes a day by the year 2010). However, not all Sport and Recreation programs have such measurable targets

- 8.28** Management informed us that work plans for the 2005-06 fiscal year now require staff to identify outcomes, targets and measures for all programs administered and activities undertaken.

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**Recommendation 8.2**

**We recommend that the Sport and Recreation program area establish measurable performance targets for each program. The performance in comparison to targets should be reported to senior management of the program area and OHP.**

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- 8.29** **Accountability Report** - Government departments are required to prepare an annual accountability report using guidelines issued by Treasury and Policy Board. We reviewed the 2003-2004 Accountability Report for the Office and concluded it was prepared in accordance with government guidelines.
- 8.30** **External review** - In 2004, the OHP hired an external consultant to seek opinions from a wide variety of stakeholders on how the Sport and Recreation program area could accomplish its mandate effectively and efficiently and the extent of the human resource support required. The report is available on the internet at <http://www.gov.ns.ca/ohp/repPub/OHP-StrategicAudit-Final.pdf>

## **Financial Management**

- 8.31** **Policies and practices for budgeting and forecasting** - Financial management services are provided by Department of Health (DOH) staff.
- 8.32** Financial forecasting and reporting requirements are set out in the *Budgeting and Financial Management Manual* of the Government of Nova Scotia and in Department of Health policies. The Office of Health Promotion complies with requirements.
- 8.33** **Budget preparation** - At the start of the budget process, OHP undertakes a process to identify cost pressures and new or expanded program requests. Based upon the strategic directions of OHP and the preliminary budget target, cost pressures and new or expanded programs are prioritized and key initiatives to be funded are identified by senior management. Decisions made during the budgeting process are incorporated into the annual business plan of OHP.
- 8.34** A detailed operating budget is prepared which equals the budget target established by Treasury and Policy Board. The budget is reviewed by senior management of OHP and DOH before being submitted to Treasury and Policy Board for inclusion in the Estimates of the Province.
- 8.35** **Monitoring and reporting on financial performance** - The various divisions of OHP receive standard monthly government financial reports and are required to prepare forecasts to year end. Significant variances from budget are identified by budget subject managers when they prepare monthly forecasts. Financial forecasts are

reviewed by management. Variances are usually anticipated and targeted areas for reduction are identified to address any budget pressures.

- 8.36** DOH financial staff review and challenge the forecasts prepared by the budget subject managers. A summarized monthly financial report showing both actual year-to-date and forecast to year end is prepared by DOH financial staff and reviewed by senior management of OHP.

### Additional Appropriations for Strategic Initiative Funding

- 8.37** In accordance with the Provincial Finance Act, the Minister of Finance tables revenue and spending estimates at the beginning of the fiscal year. The Estimates include all program spending planned by the government based upon projected revenues. The Act provides Executive Council with the authority to approve adjustments to government's spending plans in the form of additional appropriations. Sport and Recreation received an additional appropriation of \$3.7 million for 2003-04 and an additional appropriation of \$2.0 million will be required for 2004-05 to provide additional grants for "strategic initiatives".
- 8.38** **2003-04 year end** - The December 2004 Report of the Auditor General (page 13, paragraphs 2.27 to 2.29) discusses the additional recreational facility grants made in 2003-04 which led to the additional appropriation. In summary, grants were originally approved in 2003 for payment in fiscal 2004-05 through 2006-07. On March 31, 2004 Executive Council approved amendments eliminating the need to incur costs prior to funds being disbursed, and authorizing payment of the grants and recording of expenses in 2003-04. Our conclusion was that the amendments complied with generally accepted accounting principles because the amounts were authorized and eligibility criteria were met. However, government's accountability and control were reduced because payments were made before costs were incurred.
- 8.39** **2004-05 year end** - The 2004-05 situation was similar to the previous year. The grants for construction of certain recreational facilities had not been approved as part of the regular budgeting process because government indicated that funds were not available. However, later in the year, funds became available. In December 2004, the government announced an additional \$1.6 million in grants for construction and maintenance of recreation facilities. This, along with other initiatives of \$0.4 million, will require an additional appropriation.
- 8.40** **Compliance with program guidelines** - Originally, the strategic initiative grant recipients had applied for Recreation Facilities Development grants (see paragraph 8.43 below). The awards under that program do not usually exceed \$50,000 and these projects requested larger amounts. There are guidelines for Recreation Facilities Development (RFD) grants which include eligibility requirements and payment schedules, as well as factors to be used in reviewing applications. However, the recipients of the strategic initiative grants were not required to formally agree to follow the RFD guidelines. Program area management indicated they are currently preparing new application forms and a terms and conditions letter to address this.

- 8.41** *Strategic initiatives and impact of uncertainty* - Management at Treasury and Policy Board explained the “strategic initiative” funding to our Office as follows:

“During the year, actual revenues and expenses will vary from that approved in the Estimates. This sometimes results in government being able to respond strategically to the pressing needs of Nova Scotians by approving additional program spending while still meeting fiscal targets.

*Additional spending is approved, if required, via additional appropriation in accordance with the Provincial Finance Act. Strategic funding initiatives cannot be approved with the Estimates because the initiatives are not planned at the time the Estimates are approved by the House. It is not possible to approve unknown conditions in advance of their occurrence.”*

- 8.42** We understand the challenges government faces in trying to plan expenditure levels for the year. However, our concern is that grants for recreational facilities should be subject to the same scrutiny and approval by the House as other appropriations included in the Estimates. These amounts should be included in the Department’s budget and subject to review and approval by the House of Assembly.

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### **Recommendation 8.3**

**We recommend that government include all grants for recreation facilities in the Estimates process to provide for approval by the House rather than Executive Council.**

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## **Construction of Major Facilities**

- 8.43** Management is currently holding discussions to determine how funding can be provided to assist in the renovation or construction of major sports facilities as there is currently insufficient funding available within the Recreation Facilities Development (RFD) Grant program to fund these projects. At the time of our audit, the RFD program had received requests totaling \$8.4 million on capital projects with a total value of \$65.6 million. Management indicated the demand for these grants is expected to increase because facilities are aging and require significant renovations and upgrades.
- 8.44** The RFD program guidelines state that the program provides funding for up to one-third of the cost of a capital project. If the amount of funding requested exceeds \$100,000, the project sponsor should contact the regional representative for information and assistance. The RFD program is not suitable for major initiatives so there is no official program, with associated policies and controls, for large capital projects.
- 8.45** Because there is no grant program suitable for major facilities, such grants have been funded as “strategic initiatives” over the past two years (see paragraph 8.41 above). The accountability for these grants needs to be improved.



- 8.46** The letter from the Minister that accompanies the grant cheque includes terms and conditions, including the requirement to file a statement of construction costs incurred upon completion of the project and the need to follow fair tendering practices. However, there is no requirement for the recipient to formally agree to abide by these conditions. In order to improve accountability for the funds received, the recipient should be required to formally commit to compliance with the program area's requirements. Management indicated that the new application to be used for 2006-07 grants includes a statement referring to the need to comply with RFD guidelines.
- 8.47** The timing of the transfer of funds is an important consideration in managing a grant program with due regard for economy and efficiency. Funds should not be transferred in advance of need because there is an interest cost associated with the funds. For the strategic initiatives funded over the past two years, there is evidence that funds were transferred in advance of construction for certain projects (see paragraph 8.57). Construction has not yet started on one of the projects funded in March 2004 (a university arena).

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#### **Recommendation 8.4**

**We recommend that government review the funding process for construction of major recreation facilities to ensure adequate accountability, a transparent awards process, and an appropriate policy framework. We also recommend that the timing of distribution of funds be linked to the incurrence of construction costs.**

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### **Grant Programs**

- 8.48** The Sport and Recreation program area administers a number of grant programs which are described in Exhibit 8.3. Exhibit 8.4 shows the amounts expended by major grant program during 2004-05.
- 8.49** The program area provides distinct types of funding. Some organizations are eligible to apply for "block funding" which results in a longer-term funding commitment for a four-year period. Other organizations are eligible to receive funding on a "project" basis which means that they must reapply for future projects. Still other organizations receive funding based upon signed contracts.
- 8.50** We tested a sample of 21 grants from 7 programs for appropriate controls, compliance with policies and due regard for economy and efficiency. Our findings are reported in the following paragraphs.

### **Grant Application and Award Process**

- 8.51** We reviewed the award process for grants and found it to be transparent to recipients. Recipients are provided with required information. Grant applicants are well informed about programs and assessment criteria through both

documentation and informal communication with program area staff. Sport and Recreation has program guidelines available for applicants for most programs and standard application forms are used.

- 8.52** At the time of our audit, however, there was no internal policy manual to provide guidance to Sport and Recreation staff on how to administer the grant process. All grant programs should have established policies and procedures to ensure due diligence in the selection and approval of grant recipients, even when there are changes in personnel and job responsibilities. Sport and Recreation is currently working on developing a policy manual for the review, approval, payment and monitoring of grants. We acknowledge that individual staff is knowledgeable about the program area's policies.

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### Recommendation 8.5

**We recommend that the Sport and Recreation program area continue to document and formally approve its policies and procedures for the grant process, and that these be made available to all program area staff.**

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- 8.53** For most programs, there is an assessment and prioritization process which is based on evaluation by a group of staff. Depending on the program, approved projects and funding levels are prioritized based on evaluation against criteria, a numerical ranking score, amount of funding available or targeted recipients.
- 8.54** After program administrators compile lists of assessed and approved grants, including amounts awarded, these are reviewed by senior management of the program area and forwarded to the Minister of OHP. Once the Minister approves the listings, committal letters are prepared by staff and signed by the Minister.

### Grant Disbursement Process

- 8.55** After grants are approved for disbursement, there should be controls to ensure that funds are distributed efficiently and in compliance with approvals.
- 8.56** The cheque requisition process is consistent for all grants and programs we reviewed. We found that set payment schedules were followed and specific information requirements were met, such as receipt of a statement of costs incurred, prior to release of final payment.
- 8.57** **Advance payments** - We found some instances where payments had been made at year end to cover expenditures that would be incurred by recipients in the following year. These expenditures, although not individually significant, were charged to the Office of Health Promotion's expenses in the year when the payment was made. There are several issues associated with the advance payments:
- **Generally accepted accounting principles** - Generally accepted accounting principles require that certain conditions be met before grants are recorded as

expenditures in the government's financial statements (see section PS3410.07 of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants). Otherwise, the advance payments should be recorded as prepayments. We did not see any evidence that advance payments were analyzed to determine the appropriate fiscal period for recording of the expenditure on the financial statements.

- *Cash flow* - The government incurred unnecessary interest costs related to paying out the funds before they were actually required.
- *Increased risk* - Advance payments result in greater risk that recipients will not comply with program terms than the normal practice of reimbursing costs already incurred. Making payments in advance requires good accountability and monitoring after payments are made to ensure funds were spent as intended, and a process for recovering any funds that were not spent as intended.

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#### **Recommendation 8.6**

**We recommend that OHP and financial support staff at DOH develop policies which require analysis of all advance grant payments before they are made to determine (1.) whether the advance is necessary, and (2.) the appropriate fiscal year for recording of the related expenditure in accordance with generally accepted accounting principles.**

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- 8.58** *Accounts payable* - We observed an additional issue regarding cut off and security of requisitioned cheques at year end. There were instances where the final installment of approved grants for the year could not be made prior to year end because the relevant documents had not been received or work had not been completed. Appropriate control over such situations would require appropriate application of generally accepted accounting principles and recording of accounts payable for those amounts that represent liabilities of the program area at year end.
- 8.59** The program area does not record accounts payable. Rather, cheques were requisitioned at year end and held until the required information was received. Management indicated that this practice originated many years ago when staff were instructed by central government to handle final payments in this manner rather than through accounts payable.
- 8.60** During our audit, at the end of April 2005, we requested a list of 2004-05 cheques on hand and the total was \$1.1 million. The total cheques on hand on April 1, 2005 would have been higher as some payments had been made during the month of April. The cheques are not held in a safe or other secure environment which increases the risk of loss. Subsequent to our audit, management developed and implemented a policy on the security of cheques.
- 8.61** Of the \$1.6 million in strategic initiative funding for recreational facilities development approved in 2004-05 (see paragraph 8.39 above), cheques for three

projects totaling \$0.8 million were prepared; however, cheques were not mailed because all program requirements had not been met. One of the projects has been delayed, and it is likely that the cheque for \$0.5 million will become stale dated. It will either be re-issued or the expense will be reversed in 2005-06. This is an example of requisitioning cheques in advance of need as noted in paragraph 8.57 above, and the expenditure is likely recorded in the wrong fiscal period according to generally accepted accounting principles.

- 8.62** Financial support staff at DOH have recently met with Sport and Recreation staff to discuss processing of year-end payments and setting up accounts payable. In addition, DOH financial support staff have arranged to make a presentation on proper financial procedures to Sport and Recreation program staff at an upcoming meeting. It is expected that the problem will be resolved by the end of the 2005-06 fiscal year.

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#### **Recommendation 8.7**

**We recommend that OHP and financial support staff at DOH develop policies which require analysis of all unpaid final grant installments at year end and recording of accounts payable when appropriate according to generally accepted accounting principles.**

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### **Monitoring of Grant Recipients**

- 8.63** Effective monitoring can be done formally and informally. Sport and Recreation places heavy reliance on informal monitoring such as familiarity with entities and projects, the relationships established between staff and grant recipients, and ongoing communication. Other forms of informal monitoring by Sport and Recreation include attendance at recipients' meetings and other events. A recent change to policy now requires program staff to prepare notes of all meetings attended.
- 8.64** Sport and Recreation staff perform formal monitoring of programs. Financial statements are required to be submitted annually (or at the project end for recreational facilities development projects) for all entities receiving funding. In addition to financial statements, recipients are required to submit either annual reports or project reports, depending on the program. These are reviewed by program area staff to ensure agreed-upon objectives were met and funds were used as intended. The details vary among the programs and agreements but all provide relevant information for monitoring.
- 8.65** Some recipient organizations are incorporated under the Societies Act which does not require audited financial statements. We believe the Office of Health Promotion's decision to accept financial statements without an auditor's opinion from small not-for-profit organizations is reasonable because of the costs associated with having an audit performed.

**8.66** However, the Office of Health Promotion has agreements with larger grant recipients, such as Sport Nova Scotia and Recreation Nova Scotia. The agreement with Recreation Nova Scotia has requirements for accountability including submission of audited financial statements. The Memorandum of Agreement with Sport Nova Scotia, however, does not require submission of audited financial statements.

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**Recommendation 8.8**

**We recommend that the Memorandum of Agreement between the Office of Health Promotion and Sport Nova Scotia include accountability requirements. The Agreement should require Sport Nova Scotia to submit audited financial statements.**

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**8.67** Another formal monitoring tool used by the program area is membership on the Board of Directors of entities with ongoing agreements with Sport and Recreation. In most cases, program area staff are ex officio, non-voting members, but they attend meetings and receive reports provided to Board members which provide useful opportunities for monitoring.

**Performance Reporting by Grant Recipients**

**8.68** Performance reporting by grant recipients should provide information on:

- whether the program or project is meeting the approved objectives set during the awards process; and
- how the program is aiding the granting organization in achieving its performance goals.

**8.69** Recipients are required to report on whether project outcomes were achieved. However, information reported is only used for performance reporting on a project basis. It is not compiled for the grant program as a whole or used for reporting its success. (See paragraph 8.26 above)

**Implementation of Community Investment Management System (CIMS)**

**8.70** In the past, the system for tracking payments made under various programs was informal. The CIMS software program was endorsed by government for use in certain departments to manage project investments. CIMS provides a database and interactive management tool to facilitate tracking of grant applications, awards and other details.

**8.71** The interdepartmental committee formed for this project did not develop an implementation plan. Sport and Recreation tested CIMS using the RFD and Physical Activity grants during 2004-05. Sport and Recreation is planning to transfer all its grants to CIMS during 2005-06 and has begun to do so. Other

government departments are using the program and one issue that has arisen is the assignment of project profiles; applicants are sometimes assigned new profiles for each grant instead of the profiles already recorded. Sport and Recreation staff has been instructed during the software training to check for duplicate profiles before a new profile is established. Assigning duplicate profiles increases the difficulty of tracking all government transactions for the same applicant.

- 8.72** We believe that implementation of the CIMS program will allow program area staff to track approvals, payments and receipt of required information from applicants. The system will also facilitate checking to determine if other departments are funding the same project.

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**Recommendation 8.9**

**We recommend the Sport and Recreation program area continue to implement the CIMS system for all grant programs.**

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**CONCLUDING REMARKS**

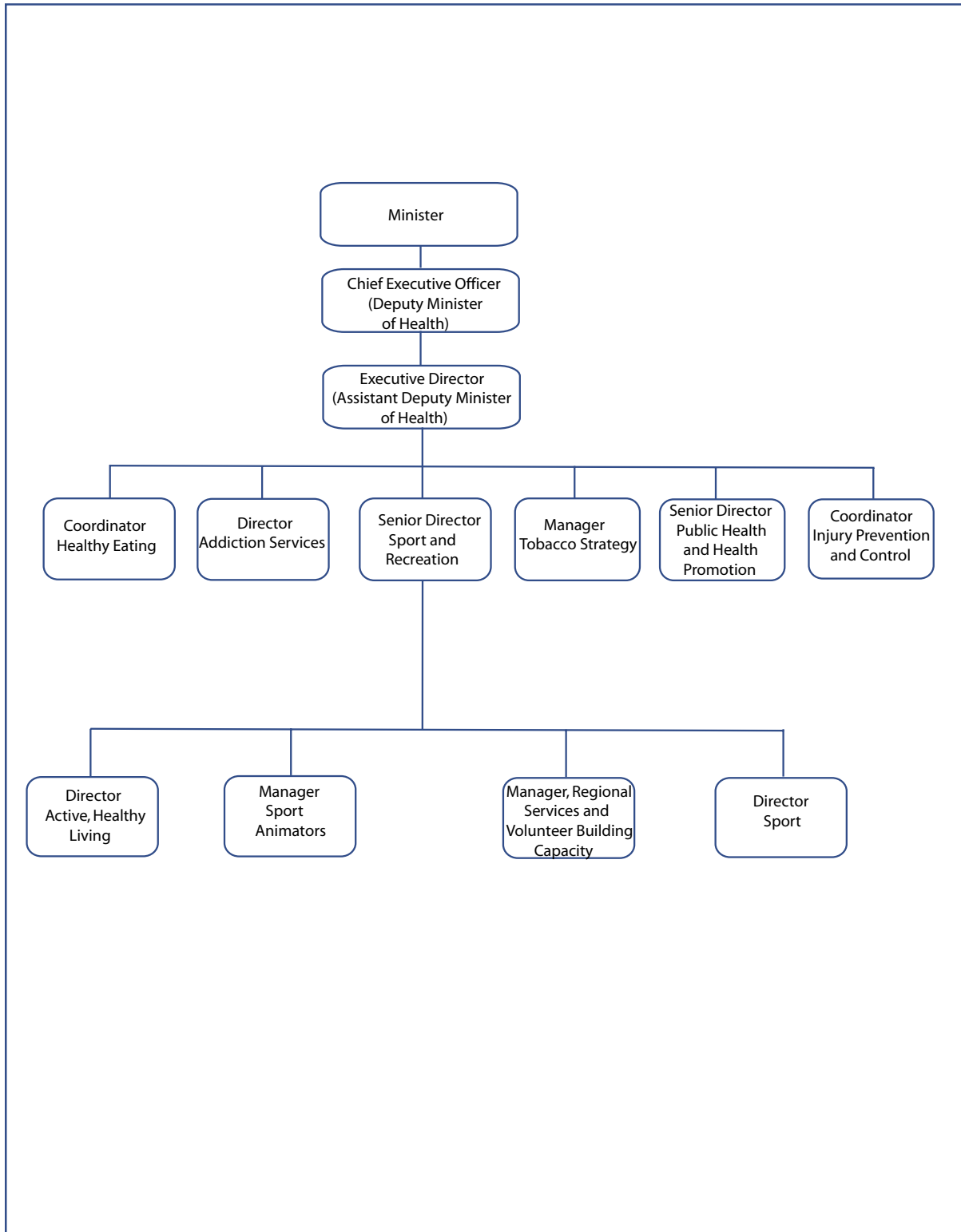
- 8.73** Our audit indicated that the Office of Health Promotion's Sport and Recreation program area has reasonable planning and financial management processes in place. The linkages between various aspects of the planning process are apparent, and progress in achieving goals is tracked. We believe it would be useful to provide periodic reports on progress in achieving the strategic plan.
- 8.74** Control over grants is generally adequate with two significant exceptions. The accounting and control related to unpaid grant amounts at year end needs to be improved. The Office also needs to review its practice of making advance payments at year end for expenditures that will be incurred by recipient organizations in the next fiscal year. Every advance payment should be reviewed to ensure that the accounting complies with generally accepted accounting principles.
- 8.75** Major recreation facility construction grants are currently funded as "strategic initiatives" which require additional appropriations. We have recommended that these be included in the Estimates process and approved by the House of Assembly.
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**Sport and Recreation Program Area Priorities for 2004-05 (from Office of Health Promotion's 2004-05 Business Plan, p. 10)**

The OHP is working with a wide variety of partners and organizations across the province to increase the physical activity rates of Nova Scotians by developing, encouraging, establishing, coordinating, implementing and promoting sport and recreation programs and services.

- **Active Kids/Healthy Kids:** Expand the reach of the Active Kids/Healthy Kids strategy and promote increased participation in sport, recreation and physical activity by children and youth.
- **Sport and Development:** Encourage Nova Scotians to be physically active and offer a quality sport and recreation experience in compliance with national and Atlantic standards.
- **Sport, Recreational and Physical Activity Programs and Facilities:**
  - Increase the capacity, effectiveness and sustainability of organizations in providing sport, recreational and physical activity opportunities for all Nova Scotians.
  - Support and encourage initiatives aimed at maintaining and improving the quality of sport, recreation and physical activity programs and the safety of their participants in recreation areas and facilities.
  - Improve access, availability, condition, safety and sustainability of indoor and outdoor facilities that provide venues for sport, recreation and physical activity.
- **Leadership Development:** Increase the number of leaders and improve leadership skills in all areas of sport, recreation and physical activity in Nova Scotia.
- **Equity and Access:** Reduce disparities and improve access to sporting, recreation and physical activities for women, members of ethnic minorities, people with disabilities and persons of low socio-economic status.

# Office of Health Promotion - Organization Chart





## Summary of Sport and Recreation Grant Programs

### Recreation Facilities Development

Funding for recreational facility development is provided under the following programs:

- **Planning Assistance Grant Program** - Funding is made available annually to assist municipalities and community organizations obtain professional assistance in planning, designing and researching proposed and existing recreational facilities.
- **Community Recreation Capital Grant Program** - Funding is made available annually to assist in the development of small scale indoor and outdoor capital recreation projects.
- **Recreation Facility Development (RFD) Grant Program** - Funding is made available annually to assist municipalities and community groups in the planning, construction, renovation, conservation or acquisition of facilities for public recreational purposes.

### Sport Nova Scotia (SNS)

Funding is provided to Sport Nova Scotia, a Province-wide, not-for-profit organization that is the voice for sport in Nova Scotia. SNS promotes the benefits of health, personal development and achievement of all participants.

Funding is also provided to operate the Sport & Recreation Administrative Center, which provides administrative support to Provincial sport and recreation organizations.

SNS operates programs such as the Sport Futures Leadership program and the KidSport program on behalf of the OHP (See Business Plan Priorities below). The Sport Futures Leadership program provides assistance to Provincial sport organizations to provide fun, safe and inclusive sport activities for children and youth as well as funding for technical Sport Futures Leaders to work with volunteers of sport programs to improve sport programming and increase the recruitment of participants. The KidSport program provides assistance to children by overcoming financial barriers which limit their participation in organized sport.

### Provincial Sport Organizations

Financial assistance is provided to eligible Provincial sport organizations to assist in their operations.

### Recreation Nova Scotia

Funding is provided to Recreation Nova Scotia, a Province-wide, not-for-profit organization that promotes the values and benefits of recreation and leisure.

## **Provincial Recreational Organizations**

Financial assistance is provided to eligible Provincial recreation organizations to assist in their operations. Provincial organizations with mandates other than recreation and fitness may be eligible for one-time project funding that improves recreation or fitness opportunities.

### **Water Safety**

Funding is provided for the Nova Scotia Lifeguard Service (NSLS), a joint project of the OHP and the Lifesaving Society, Nova Scotia Branch. The NSLS provides supervision of key beaches in Nova Scotia.

### **Active Living**

The OHP funds a number of active living programs such as the following:

#### **Active Kids/ Healthy Kids (AKHK)**

The AKHK program is an interdepartmental initiative created in 2002 to increase the number of children and youth who accumulate at least 60 minutes of moderate or vigorous physical activity each day. Funding is provided to promote active communities, active school communities and active community environments as well as public education.

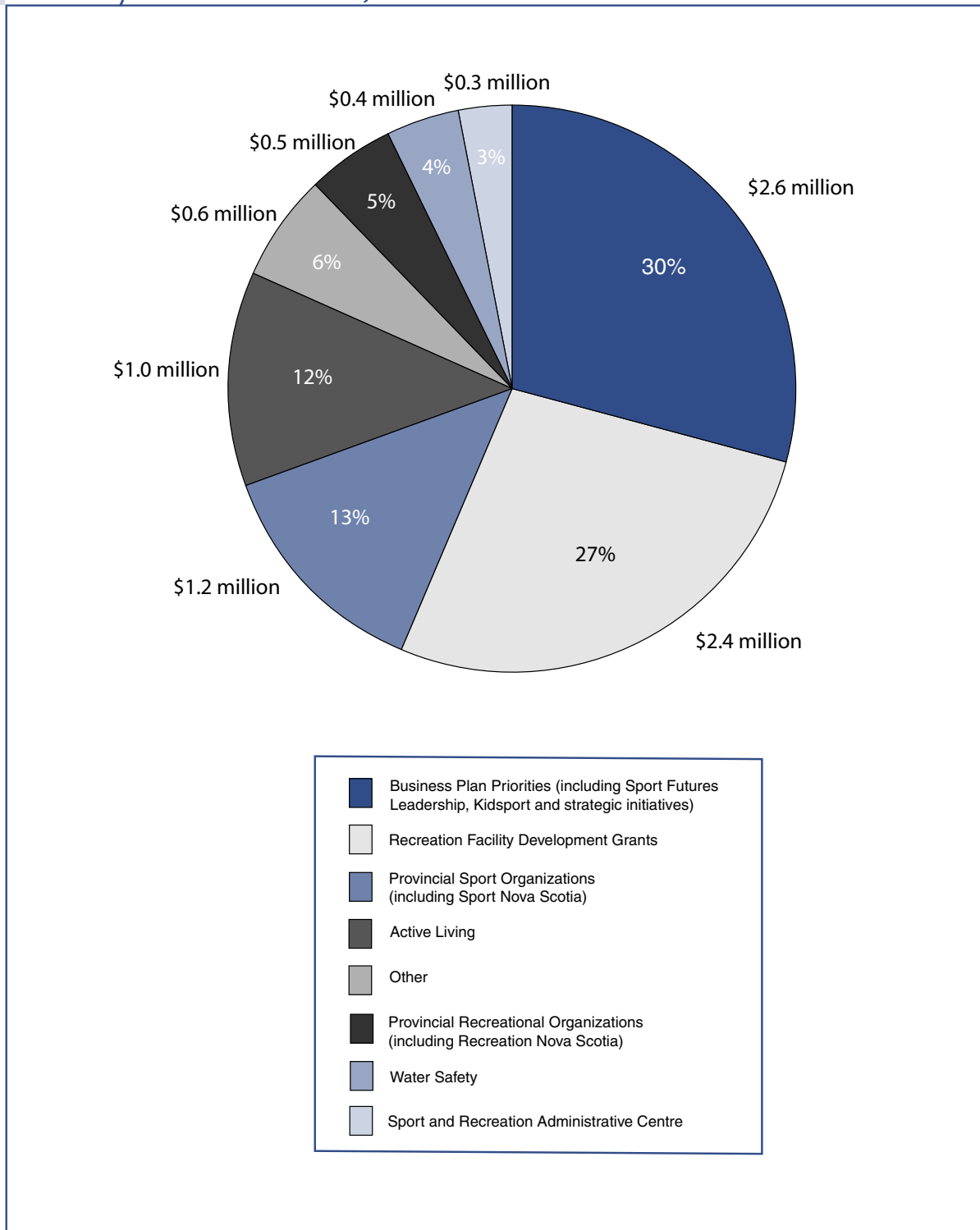
#### **Physical Activity**

Funding is available to organizations to fund initiatives that provide a new or expanded opportunity and contribute to regular physical activity. Funding children and youth is a priority, but all population groups are eligible.

### **Business Plan Priorities**

Various payments are made to organizations to support sport, recreation and active living activities under this area. OHP provides funding for certain initiatives which are listed as priorities in the Business Plan. Examples of these initiatives are grants paid to Sport Nova Scotia to administer the Sports Futures Leadership program and the KidSport program. In addition, grants for seven recreational facilities under the strategic initiatives program were funded.

### Summary of Expenditures for Sport and Recreation Program Area for the year ended March 31, 2005



Source: Office of Health Promotion expenditures per SAP

## OFFICE OF HEALTH PROMOTION'S RESPONSE

The audit of Nova Scotia Health Promotion's physical activity, sport and recreation area was conducted in a collaborative manner. Meetings were held prior to the audit to outline what the roles, responsibilities, and expectations were before, during, and after the audit. The staff who conducted the audit were extremely cooperative and enabled the process to be conducted in a positive manner.

The audit is a tool that will enable the physical activity, sport, and recreation (PASR) program area of Nova Scotia Health Promotion (NSHP) to review current practice and make necessary revisions in order to be more effective, efficient, and accountable in the future. NSHP is a new, progressive, innovative Office of the provincial government and an exciting place to work. The PASR program area is now working in a new professional environment and, therefore, the opportunity to step back and assess how we do business has been positive.

The focus of the audit was grant programs administered by PASR. It is heartening to read that the auditors recognize the difficulties we have administering grants to the many volunteer organizations we work with. We do not deliver programs, we provide leadership and support to partner organizations to deliver programs in communities. Therefore we are often dealing with organizations that are run by volunteers and many are "kitchen table" operations. This creates challenges which I am proud to say my staff manage well as they provide services to communities.

During the audit, as ideas and suggestions came to light regarding areas of weakness, senior staff immediately began to address these issues. Therefore I feel that we are already on the road to improving the policies, processes and systems needed to become more accountable.

In awarding grants, we are, in the case of Recreation Facility Development Grants (RFD) at the mercy of Acts of God and the efficiency of the building trades and their suppliers. The process is a sound one and has controls in place.

The poor state of facilities in NS has created a situation where Cabinet has generously supported funding for projects that are crucial to the delivery system of PASR. These projects are ones that have been on our books for some time and are beyond the scope of the RFD envelope.

A policy has been put in place to assure the security of cheques that are being held; i.e., waiting for financial statements from organizations upon completion of work.

More specifically, I offer the following responses to the audit recommendations:

Recommendation 8.1: *Releasing an annual/bi-annual progress report* has been taken to the NSHP Executive table and this will be put in place during the next fiscal year in all program areas of NSHP.

Recommendation 8.2: *Performance targets* are in the process of being implemented at all levels of PASR; individual work plans, team work plans and program area work plans.

Recommendation 8.3: Regarding the *approval of grants in the estimates process* needs discussion re: the practicality of implementing this recommendation and how it will affect opportunities at the community level.

Recommendation 8.4: NSHP is in discussions with the F-P/T Infrastructure Work Group to develop a framework for a national infrastructure program that could include F-P/T/Municipal cost sharing. Program process will be developed as a part of this national program.

Recommendation 8.5: Regarding *continuing to document and formally approve policies and procedures for grant processes* - this is in progress.

Recommendation 8.6: *Advance grant payments* will be reviewed by NSHP/PASR, however the grants provided are only a fraction of the total cost of the facility or program costs.

Recommendation 8.7: We continue to work on the *year-end disbursement process* with our financial staff.

Recommendation 8.8: We presently receive audited financial statements from Sport Nova Scotia (Deloitte and Touche) and suggest that this accountability combined with the MOA addresses *accountability requirements*.

Recommendation 8.9: We are in the process of implementing the *CIMS database system*.

Upon consultation with Treasury and Policy Board, we were advised item 8.37 and 8.41 probably should not be included in this response. This is a very common event/occurrence when it comes to new monies from the federal government mid-stream in a province's fiscal year. This occurrence is not relevant or worthy of noting as any type of finding. That is not a documented finding where something can be changed from our end. We feel that it is an operational observation, which can't be changed.

In closing I reiterate that this has been a very informative, positive experience and that we as an organization look forward to the challenge of improving the accountability of grant program administration in the physical activity, sport and recreation program area of NSHP. We will do so with the support of our DoH financial support and our own policy and planning program team.