

Chapter 1

Agriculture; Communities, Culture and Heritage; Natural Resources: Grant Programs

Overall Conclusions:

- For the \$45 million in grants and contributions audited, the departments did not define how to measure if the spending was successful
- We found the departments did not assess whether they got the results they wanted for the money spent
- Grants were generally awarded and paid in line with department requirements

Design

Conclusion:

- Grant programs are not set up to achieve specific, measurable results
- No evaluation is completed on most grant programs to see what results were obtained



Examples:

- All programs had goals and objectives
- 17 of 18 programs did not have specific measures of success
- Risks to program success not identified for 17 of 18 programs
- No explanations on decisions for program design:
 - Major differences in the thoroughness of terms and conditions
 - Different inspection requirements for similar programs



Recommendations:

- Department of Finance and Treasury Board should provide guidance for grant program design, administration, and monitoring
- Departments should measure performance and regularly evaluate programs
- Departments should develop comprehensive risk analysis to assess design of grant programs

Awarding and Payment

Conclusion:

- Most grants are awarded and paid according to rules with only minor exceptions



Examples:

- Most programs met eligibility criteria, with minor exceptions:
 - One-time Emerging Culture and Heritage grant awarded annually to one recipient
 - Recreation Facilities Development program did not have explanations documented for some decisions
- Approval process is not always clear as no checklists to support review
- Discretionary grants at CCH – while approvals existed, support was lacking for value of grants awarded
- Access Road Construction program – service agreement needed with third party administrator to address concerns



Recommendations:

- Departments should develop assessment tools for each stage of the grant process
- Natural Resources should establish written agreements for third-party administration of grant programs
- Communities, Culture and Heritage should develop documentation and retention standards for discretionary grants



Recommendations at a Glance

Recommendation 1.1

The Department of Finance and Treasury Board, in consultation with the Executive Council Office, should develop a framework to provide guidance to public sector entities on best practices for grant program design, administration, and monitoring of compliance at a program design level.

Recommendation 1.2

The Departments of Agriculture; Communities, Culture and Heritage; and Natural Resources should establish performance indicators, measure performance, and regularly evaluate grant programs.

Recommendation 1.3

The Departments of Agriculture; Communities, Culture and Heritage; and Natural Resources should develop a comprehensive risk analysis and use this to assess the design of all grant programs.

Recommendation 1.4

The Departments of Agriculture; Communities, Culture and Heritage; and Natural Resources should develop monitoring processes for grant management to ensure required controls are followed for each stage of the grant process.

Recommendation 1.5

The Department of Natural Resources should establish a signed agreement with clear performance expectations, reporting requirements, and conflict of interest guidelines when using third-party administration for grant programs.

Recommendation 1.6

The Department of Communities, Culture and Heritage should develop documentation and retention standards for discretionary grants.

1 Agriculture; Communities, Culture and Heritage; Natural Resources: Grant Programs

Grant Program Design

- 1.1 We examined 18 grant programs across three government departments: Agriculture; Communities, Culture and Heritage; and Natural Resources; as well as discretionary grant funding at the Department of Communities, Culture and Heritage. Appendix II has a detailed list of programs we audited.
- 1.2 The programs examined were mainly application-based and included specific eligibility criteria. The grants were available to businesses, non-profits, and individuals across the province, depending on the goals and objectives of the program.



Guidance for grant program design is required

- 1.3 We found a variety of approaches, both within and across departments, in the design of grant programs. We also noted there had been insufficient program evaluation. Specific issues and examples are discussed in more detail throughout the chapter.
- 1.4 When creating a grant program, there should be a documented program framework which outlines what the program is trying to achieve, how its success is defined, risks identified that could impact that success, and analysis to support how grants are to be administered. This level of analysis supporting program design decisions was generally not available.
- 1.5 Clear and comprehensive guidance would help to ensure that a consistent approach is taken to program design considerations, that applicants are treated consistently, and risks to the Province are appropriately considered and addressed.

Recommendation 1.1

The Department of Finance and Treasury Board, in consultation with the Executive Council Office, should develop a framework to provide guidance to public sector entities on best practices for grant program design, administration, and monitoring of compliance at a program design level.

Department of Finance and Treasury Board Response: The Department of Finance and Treasury Board accepts this recommendation and will work with Executive Council Office, as well as departments with grant programs, to develop such a framework.

- 1.6 While the remaining recommendations in this chapter are directed to the departments we audited, the concepts apply to all government departments. We expect that the issues and recommendations discussed below will inform the guidance prepared in response to our recommendation to develop a framework.



Programs are not evaluated against goals and objectives

- 1.7 Departments do not adequately evaluate programs to determine if they are meeting goals and objectives. Departments have some degree of documented goals and objectives for all 18 programs we examined. However, 17 programs have not established adequate performance measures and indicators to assess if the programs are achieving the goals and objectives. While the departments did measure one or two performance indicators for some programs, we found they were not sufficient to evaluate the success of the program.
- 1.8 Two examples below show the lack of adequate program evaluation.
- FarmNext at the Department of Agriculture – This program supports new farmers in the purchase of a farm. Requirements include a plan to achieve commercial farming income of \$30,000 per year within five years, and a repayment agreement if the farm is sold within that same period. However, the Department does not know how many commercial farms have been established under this program.
 - Creative Industries Fund at the Department of Communities, Culture and Heritage – One objective of the program is to increase export sales and revenue growth through innovation. While the program has only existed for two years, the Department has not established how these objectives will be measured.
- 1.9 Departments should establish performance indicators and measures during program design to ensure requirements, such as final reports from grant recipients, provide management with the information they need to assess whether program goals and objectives are met.
- 1.10 Most programs we examined had no link between the final report from grant recipients and the program evaluation. For all programs reviewed, the departments require final reports, or some form of accountability requirement, after project completion. We found the departments mainly used the final reports as assurance the project was completed as approved, and if required, to authorize release of holdback funding.
- 1.11 Departments should design final reports to provide information required for program evaluation, as well as accountability. The results of program evaluations are key for departments to make improvements to the program and award future grants.

Recommendation 1.2

The Departments of Agriculture; Communities, Culture and Heritage; and Natural Resources should establish performance indicators, measure performance, and regularly evaluate grant programs.

Department of Agriculture Response: The Department of Agriculture agrees with the recommendation. The Department had previously identified the need for robust performance measures to evaluate programs. The new Canadian Agriculture Partnership Agreement (CAP) launched in April 2018, which replaces the Growing Forward II Agreement, has a new emphasis on performance and results measurement. In response to our awareness and need to improve the ability to report on performance under CAP, the Department started the process to acquire a Grants Management System that would facilitate the capturing and reporting of performance measure data. Development of the Grants Management System was initiated in the fall of 2017 and is expected to be available for use in the 2018-19 fiscal year.

Department of Communities, Culture and Heritage Response: The Department of Communities, Culture and Heritage agrees with this recommendation and is currently undertaking a review of all grants and funding programs. The outcome of this review will provide direction for performance indicators, tools to measure performance and evaluation methods for regularly evaluating grant programs.

Department of Natural Resources Response: The Department of Natural Resources agrees with this recommendation. The Department will develop and implement a plan to establish performance indicators, measure performance and regularly evaluate grant programs to better demonstrate programs are achieving their goals and objectives.

**Risks are not clearly identified and addressed through program design**

- 1.12 Departments are not adequately analyzing risks when developing grant programs. For only 1 of 18 programs did the department have clear evidence the risks were assessed and incorporated into the program design. Without a robust risk assessment, it is difficult for departments to ensure all risks are identified and adequately addressed in the program design. A rigorous risk assessment process guides management to consider all aspects of the program and document if risks are reduced to an acceptable level to support the likelihood of the program accomplishing its goals and objectives.
- 1.13 The Department of Agriculture's administration guidelines for the programs examined show that management initially considered risks. The departments of Communities, Culture and Heritage, and Natural Resources also have robust guidelines for several programs. However, without a documented and ongoing risk assessment process, it is harder for departments to ensure all risks, including new or changing risks, have been identified and adequately managed.



- 1.14 In examining program guidelines, accountability requirements, and other measures in place, we noted significant variations in how management in the departments approached and assessed risks associated with each grant program. There was variation in how management structured eligibility and accountability requirements across programs, even within the same department. Without a risk-based program design, it is not clear if the variations in practice are reasonable, deliberate decisions.
- 1.15 The Department of Agriculture’s grant administration was more uniform across its programs. We expected this since all grant programs are managed within one division. At the Departments of Communities, Culture and Heritage, and Natural Resources, grant programs are administered by various program managers in the division responsible for the program. These departments had more variation in their processes, with the potential for inconsistent requirements and expectations between programs. We discuss variations, such as timing of disbursements and grant terms and conditions, in the rest of this chapter.
- 1.16 *Timing of disbursements* – For the programs we examined across all three departments, funding is provided in one of three ways:
- Fully disbursed upon project completion once the recipient provides evidence that eligible program costs have been incurred;
 - Fully advanced on approval; or
 - Partially advanced upfront with installments and/or a holdback until final accountability requirements are submitted. There were several variations to this approach.
- 1.17 For several of the programs at Communities, Culture and Heritage, the Department advances 100 percent of the funding upon approval of the grant. For these programs, management noted that advancing funding upfront is essential for the applicants to complete the projects. However, when full funding is provided before final accountability requirements have been submitted, there is less incentive for recipients to provide the information.
- 1.18 In reviewing programs that had overdue final accountability reports, we noted two programs in particular had poor results and both had been provided with full funding in advance.

Program	Number of Projects Overdue	Number of Days Overdue
Arts Nova Scotia Grants to Individuals	9 of 10	52 – 419
One-time Emerging Culture and Heritage Initiative	6 of 10	35 – 439



- 1.19 The Creative Industries Fund, also had overdue final reports, with three of the five grants examined having reports overdue between 95 and 224 days. While the Department uses holdbacks for this program, the Department made final payment to four of five projects before it received the required final reports. Management stated that the final payment needed to be issued by the fiscal year end, although the final reports were not due until later. The Department's process does not match the terms and conditions, resulting in reduced recipient accountability once funding has been provided.
- 1.20 Terms and conditions state that no additional grants will be provided if accountability requirements are outstanding for a previous grant from the Department. For some projects, such as the Community Museum Assistance program, the risk may be sufficiently reduced as museums receive annual funding. This control is ineffective for programs such as those discussed above, which are often either one-time funding or payments to recipients who do not apply for grant funding often. A risk-based approach would provide the Department with guidance in balancing the risk of fully advanced funding with the impact of not receiving the accountability requirements.
- 1.21 *Inspections* – For three of four programs with inspections as part of the program guidelines, the departments did not document their assessment or decision as to why inspections were required. For the remaining 14 programs, the departments had no support for decisions not to conduct inspections. We identified that some programs not requiring inspections were similar in nature to those that require them.
- 1.22 For example, Access Road Construction grants range from \$1,500 to \$5,000, the smallest individual grants of the 18 programs we tested. A third-party administrator performs inspections on 100 percent of applications every year, and 10 percent are then inspected again by the Department of Natural Resources. In contrast, the Off-Highway Vehicle Fund Infrastructure grants, which are similar in nature, have a maximum of \$50,000, but the Department does not require inspections. The difference in the Department's approach does not appear reasonable based on the dollar value, and similar accountability requirements. Without a clear rationale, it is uncertain whether the Department's current processes are adequate, or if programs need more, or fewer, inspections.
- 1.23 Part of a risk analysis is balancing the impact and likelihood of the identified risk, with the cost of reducing the risk. When deciding whether to conduct inspections, including the extent and number of inspections, the department's reasoning for the decision should be clear. Similarly, if the department plans no inspections, it should be clear how the identified risks are addressed through other accountability requirements.

- 1.24 Departments should clearly determine how inspections are to be completed and documented as part of the program framework. Although the Maple Assistance, Homegrown Success, and Recreation Facilities Development programs all required inspections at the completion of the project, we found the departments had no documentation of the inspections for any projects for which one was required. Based on the Department's risk analysis of the Maple Assistance program, a site assessment is also required. All site assessments were completed and included in the project files.
- 1.25 For two of the programs, Maple Assistance and Homegrown Success, Department of Agriculture management stated that the Department is moving to a risk-based approach, which was why there were no inspections completed for the grants tested, and that program guidelines will be changing to reflect this. Management could not provide documented justification for this change.
- 1.26 Communities, Culture and Heritage management stated that regional staff are responsible for inspections for the Recreation Facilities Development program. Although the Department does not have specific documentation of the inspections, regional staff indicated that sign-off on a project occurs when they have sufficient assurance that a project is complete. This process is not currently outlined in Department policy and there was no evidence to show the extent of inspections or whether they had occurred.



Terms and conditions varied without clear reasoning for the differences

- 1.27 Signed agreements with comprehensive terms and conditions varied across departments, programs, and within programs. This variation impacts the amount of risk associated with each program.
- 1.28 There are several programs in which the terms and conditions are not standard for each recipient. We expected all agreements to have a set of basic terms and conditions, with the ability to adjust for project specific requirements. We found terms and conditions varied significantly without clear reasons for the differences.
- 1.29 Strategic Funding Initiatives at Communities, Culture and Heritage, for example, approved one project for \$500,000, for which the terms and conditions consisted of only general reporting requirements around project completion with no noted start, end, or final report dates. In contrast, another project had a detailed document which clearly outlined the timing, reporting, and steps to be completed to receive \$200,000 in funding.
- 1.30 We found that for all programs with signed agreements, with the exception of Operating Assistance to Cultural Organizations and the Community Museum Assistance program, the departments had a condition related to



recovery of funding if projects were not completed as approved. If there is no signed agreement or condition regarding recovery, the Province is at a greater risk of not being able to recover funding. For Operating Assistance to Cultural Organizations and the Community Museum Assistance program, the funding is recurring annually, therefore management stated the condition that funding will not be renewed if requirements are not met is sufficient to mitigate the risk.

- 1.31 We found in all instances in which applicants did not complete projects, or recovery was required for other reasons, the departments either recovered funding appropriately, or had documented justification for why funding was not recovered.
- 1.32 *In-kind* – Several programs calculate the value of the grant based on a percentage of total expenses of the project and/or require that the applicant fund a certain percentage of the project themselves. A few of these programs allow in-kind support, such as donated materials or volunteers' time, to be included in the total project expenses and/or applicant contribution amount. The level of guidance varied for how in-kind support is valued and verified.
- 1.33 Two programs at the Department of Natural Resources, and one at Communities, Culture and Heritage included clear guidance that in-kind contributions must be valued at market value. One program required third-party confirmation of in-kind contributions with the application, one required a detailed claim form to be submitted at the end of the project, and the third required a combination of both approaches. One example of existing but unclear guidance was in the Department of Communities, Culture and Heritage with its One-time Emerging Culture and Heritage program. The Department only notes that in-kind contributions must be essential to the project, but there is no guidance on how they are to be valued.
- 1.34 *HST* – There is no overall policy which states how taxes paid should be treated for grant programs. We noted the departments had several ways of handling HST. Depending on the program, applicants may be non-profit organizations, registered charities, individuals, or businesses. This leads to situations in which an applicant may be able to claim HST credits, while also recovering amounts paid through grants.
- 1.35 The Department of Agriculture was the only department which made it clear that HST was not to be included in any grant calculation, except for one program which allowed HST to be claimed by universities and charities. The Departments of Communities, Culture and Heritage, and Natural Resources had no clear guidance on HST. In general, we found HST was included in grant calculations and disbursed to recipients.

- 1.36 The information above is not inclusive of all types of considerations and processes required to effectively design a grant program. However, this provides some examples of the types of guidance required from government to ensure a consistent approach to grant programs in line with best practices.

Recommendation 1.3

The Departments of Agriculture; Communities, Culture and Heritage; and Natural Resources should develop a comprehensive risk analysis and use this to assess the design of all grant programs.

Department of Agriculture Response: The Department of Agriculture agrees with the recommendation. The Department will work towards developing a process to move from the informal, undocumented, process it currently uses to a formal comprehensive risk analysis process when developing new programs. The risk analysis process should be developed during the 2018-19 fiscal year.

Department of Communities, Culture and Heritage Response: The Department of Communities, Culture and Heritage agrees with this recommendation. As part of the review, the Department will develop and use a comprehensive risk analysis in grant program design.

Department of Natural Resources Response: The Department of Natural Resources agrees with this recommendation. A department Enterprise Risk Management Policy became effective January 1, 2018 and will support the development and use of comprehensive risk analysis procedures in grant program design.

**Application and payment approval processes require more structure**

- 1.37 *Application approvals* – While the departments properly recorded final approval for all grant decisions, sufficient evidence of the process followed to support the approval was not always available. In many cases there were no checklists, assessment tools, or other documentation to demonstrate that the application had been reviewed.
- 1.38 The same issue was identified around review of accountability requirements. Although items were generally on file, it is unclear what the program officers reviewed before disbursing funding. Best practice should promote staff accountability for assessment and ensure the process is clear to others.
- 1.39 All grant programs examined had established eligibility criteria and application requirements. We performed the assessment process to ensure eligibility for approval, and disbursement and accountability requirements were met. In total, we examined 170 individual grant approvals across the three departments, and in most cases, we found funds were awarded only to those meeting the criteria. Minor issues were identified and addressed with each program manager. A few of these exceptions are discussed below.



- 1.40 The One-time Emerging Culture and Heritage Initiatives at the Department of Communities, Culture and Heritage included the only project examined which clearly did not meet the eligibility criteria of the program. The applicant did not complete any of the application documents and funding was recurring in nature, with the same amount provided in both years of our audit period. This contradicts the eligibility criteria which state that the grant is not intended for recurring funding.
- 1.41 In addition, the program guidelines stated that the Department's contribution will not normally exceed a maximum of \$10,000, while the application form specifically stated that the amount requested should be to a maximum of \$10,000. Nine of 10 projects we examined were over \$10,000. The Department should consider if the current process is clear and fair to all applicants.
- 1.42 Under the Recreation Facilities Development program, the Department of Communities, Culture and Heritage approved two projects outside of the normal process. The program requires applications be evaluated and scored by regional managers for recommendation for approval. We found that 2 of 10 projects examined were not scored through this process. Another two projects were scored and not recommended by the committee. All four projects received Ministerial approval. While the Department provided explanations for the variations in the process, the rationale was not clearly documented in the files.
- 1.43 FarmNext at the Department of Agriculture requires applicants to submit a business plan to support how a new farm plans to become a commercial farming operation. The Department does not have a process to review the completeness or reasonability of the business plan, lessening the value of this application requirement.
- 1.44 *Payment approvals* – Funding decisions were all properly approved, and money was generally paid in line with program guidelines and terms and conditions. As with initial approval decisions, we noted some minor deficiencies at each department. A few specific issues are discussed below.
- 1.45 Four of 10 Recreation Facilities Development projects examined at Communities, Culture and Heritage received funds without evidence that substantial work had begun, as required by program guidelines. Regional office staff monitor approved projects, but do not specifically or consistently document this work.
- 1.46 For 2 of 10 Strategic Funding Initiatives projects, the Department of Communities, Culture and Heritage did not receive a signed agreement prior to disbursing funds. In both cases signed agreements were returned after funds had been disbursed. However, this is not in line with best practice. Providing funding to recipients before a signed agreement is in place leaves

the Department open to the risk that the recipient will not agree to the terms and conditions.

- 1.47 Most of the issues identified would be addressed by following the policies already in place for the programs. An overall assessment tool, such as a checklist, would help to improve accountability and ensure that all necessary steps have occurred before money is disbursed.
- 1.48 Many documents across multiple programs were also not date stamped. This often prevented us from concluding whether disbursement occurred in the proper sequence. While this is an administrative task, it is important for departments to demonstrate that funding is not disbursed before all requirements are met.

Recommendation 1.4

The Departments of Agriculture; Communities, Culture and Heritage; and Natural Resources should develop monitoring processes for grant management to ensure required controls are followed for each stage of the grant process.

Department of Agriculture Response: The Department of Agriculture agrees with the recommendation. The Department currently uses program eligibility assessment tools and will develop additional assessment tools for every stage of the grant process in conjunction with the procedures for the new Grants Management System currently under development. The additional assessment tools should be developed during the 2018-19 fiscal year.

Department of Communities, Culture and Heritage Response: The Department of Communities, Culture and Heritage agrees with this recommendation. Working within the framework prepared by Department of Finance and Treasury Board, the department will improve grant management monitoring processes for each stage of the grant process.

Department of Natural Resources Response: The Department of Natural Resources agrees with this recommendation. The department will analyze and improve existing grant management monitoring processes to ensure required controls are followed for each stage of the grant process.

Comments on Specific Programs

Access Road Construction



No agreement with administrator for Access Road Construction program

- 1.49 The Department of Natural Resources has no written agreement with Forest Nova Scotia for the administration of the Access Road Construction program. Funds for the program are intended to help woodlot owners maintain or



create road access for harvesting and extracting forest products, as well as providing access for forest fire protection. This was the only program we examined which is administered by a third party.

- 1.50 The Access Road Construction program budget was \$720,000 in each year of the audit period. Ten percent of total funding (\$72,000 per year) was paid to Forest Nova Scotia to administer the program. The administrator also charged an application fee of \$266.51 (HST included) to each successful program applicant. Total revenue earned by Forest Nova Scotia in 2016 to administer the program was approximately \$163,000, or 25 percent of total grant funding. Most grants (approximately 90 percent of those awarded in 2016) were to small woodlot owners, at the lowest grant amount of \$1,500.
- 1.51 The expectations and accountability requirements between the Department of Natural Resources and Forest Nova Scotia for administering this program are not clear. Aside from the minimal guidelines available publicly on the Forest Nova Scotia website, there are no internal guidelines to govern the administration of the program. We identified several concerns which were not clearly addressed in policy.
- One applicant submitted multiple invoices totalling \$108,370 for the three years from 2004 to 2006. The annual grant available is only \$2,500. The applicant carried forward the remaining balance as an eligible expense for reimbursement every year, which may continue until the full amount is paid. Based on this process, it will take over 30 years for the full amount to be recovered. It is not clear in the program guidelines that this is allowed, and it may not be known by all applicants.
 - For three projects, the grant amount exceeded the invoices submitted. In another case, the applicant invoiced themselves for the work performed. Program administrators said they determined a reasonable expense for each kilometer and use this to assess work completed by applicants, and do not require invoices. The Department does not have a specific approach for documenting these claims. It is another example of rules that not all applicants may be aware of when submitting applications and claims.
 - We noted a conflict of interest issue in which someone involved in administering the program was also a grant recipient. A conflict of interest policy should be developed.
- 1.52 The Department should ensure grants administered by third parties on its behalf are governed by signed agreements with the service provider. Agreements should outline expectations for the programs, clear accountability requirements, and be evaluated at regular intervals to determine if the goals and objectives of the programs are met in an efficient and cost-effective manner.

Recommendation 1.5

The Department of Natural Resources should establish a signed agreement with clear performance expectations, reporting requirements, and conflict of interest guidelines when using third-party administration for grant programs.

Department of Natural Resources Response: The Department of Natural Resources agrees with this recommendation. Work is underway to ensure the Department enters into agreements (where none currently exist) with third party administrators for grant programs, and that these agreements include clear performance expectations, reporting requirements, and conflict of interest guidelines.

Discretionary Grants**Documentation supporting discretionary grants lacking**

- 1.53 The Department of Communities, Culture and Heritage approved approximately 100 discretionary grants in each of 2015-16 and 2016-17. The value of these grants ranged from less than \$100 up to \$250,000. Just over \$1 million was disbursed through this program in each year of our audit period.
- 1.54 We tested discretionary grants to determine if there was a process in place for approving and disbursing funding, and if documentation was similar to the requirements of other grant programs, including a documented rationale, a signed agreement with terms and conditions, and accountability for the funding.
- 1.55 We found discretionary grants had no requirement for a signed agreement, and 5 of 10 grants did not have a funding agreement. This results in weaker accountability when compared to other grant programs as there are no terms and conditions associated with the funding, meaning no defined accountability requirements exist.
- 1.56 We found that all 10 discretionary grants examined had a clear justification to support the purpose of the grant, including a Ministerial approval on file. However, the justification to support the amount of the grant was not always clear. Six grants did not meet the level of detailed budget analysis or justification of the amount that would be required for other grant programs. This lack of detail raises questions around the ability of the recipients to complete projects as described and reduces the ability of the Department to ensure the funds are used as proposed.
- 1.57 Overall, the Department did not have well-organized and readily available documentation for its discretionary grants. Staff responsible for the grants maintain the information and work in various areas within the Department. The Department does not have guidance for staff on what documentation



should be kept. This does not support accountability within the Department for this type of funding

Recommendation 1.6

The Department of Communities, Culture and Heritage should develop documentation and retention standards for discretionary grants.

Department of Communities, Culture and Heritage Response: The Department of Communities, Culture and Heritage agrees with this recommendation. The Department will develop documentation and retention standards for discretionary grants.

Strategic Funding Initiatives



Strategic Funding Initiatives program administration has improved

- 1.58 The Strategic Funding Initiatives program is intended to support projects which do not fit the criteria or maximum funding limits of the Department's other grant programs, but which have an overall benefit to their communities. Applicants can either submit potential projects to the Department of Communities, Culture and Heritage or be directed to this program by senior staff based on initial proposals received within other programs that do not fit their eligibility criteria. If approved, recipients receive a one-time project grant.
- 1.59 Our November 2013 audit of grant programs included the Strategic Funding Initiatives program which was transferred to Communities, Culture and Heritage in April 2013. We found weaknesses with the program including a lack of clear objectives and accountability requirements which could have resulted in the investment of government resources in projects with minimal economic or community impact. We recommended that the Department of Communities, Culture and Heritage establish program policies to address the issues identified in our audit. The final follow-up by our Office in April 2016, concluded the Department had not completed developing and implementing appropriate program policies.
- 1.60 In the current audit we determined that program approval process documents are now in place and complete for all 10 projects reviewed. Eight of nine projects in which funding had been disbursed had signed agreements, including terms and conditions. The one grant without a signed agreement had been disbursed prior to the change in process.
- 1.61 From April 1, 2016 to March 31, 2017, approximately \$11.8 million in funding was provided through the Strategic Funding Initiatives program. This was an increase of approximately \$11 million over the prior year, and \$10.2



million over budget. Department management explained that the increase was supported by additional funding approved by Executive Council. The increase was required to provide provincial funding to match new federal money available to several community organizations. Without provincial funding, most of these projects would not have been able to obtain the almost \$10 million in federal money which ultimately came to Nova Scotia.



Appendix I

Reasonable Assurance Engagement Description and Conclusions

In May 2018, we completed an independent assurance report of the Departments of Agriculture; Communities, Culture and Heritage; and Natural Resources. The purpose of this performance audit was to determine whether the departments have adequate processes and controls to ensure that grant programs are administered effectively to achieve their goals and objectives.

This audit examined 18 grant programs across the three departments, as well as discretionary grant funding at the Department of Communities, Culture and Heritage. Total grant funding administered by the three departments is as follows:

Department	Grant Funding (Actual)			
	2015-16 (000s)		2016-17 (000s)	
	Total	Programs Audited*	Total	Programs Audited*
Agriculture	\$36,093	\$3,854	\$40,453	\$4,484
Communities, Culture and Heritage	\$40,035	\$9,681	\$75,326	\$23,627
Natural Resources	\$11,989	\$1,656	\$11,466	\$1,732
Total	\$88,117	\$15,191	\$127,245	\$29,843

Source: Departments of Agriculture; Communities, Culture and Heritage; and Natural Resources (unaudited)

* See Appendix II for more details on the 18 programs audited

It is our role to independently express a conclusion about whether the departments' grant programs have specific, measurable goals and objectives, assess whether goals and objectives are achieved, if there is a defined process for awarding grants, and whether grants are accurately and appropriately disbursed to comply in all significant respects with the applicable criteria. Management at the Departments of Agriculture; Communities, Culture and Heritage; and Natural Resources, have acknowledged their responsibility for the grant programs examined.

This audit was performed to a reasonable level of assurance in accordance with the Canadian Standard for Assurance Engagements (CSAE) 3001—Direct Engagements set out by the Chartered Professional Accountants of Canada; and Sections 18 and 21 of the Auditor General Act.

We apply the Canadian Standard on Quality Control 1 and, accordingly, maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we have complied with the independence and other ethical requirements of the Code of Professional Conduct of Chartered Professional Accountants of Nova Scotia as well as those outlined in Nova Scotia's Code of Conduct for public servants.

The objectives and criteria used in the audit are below:

Objective:

1. To determine if the Departments of Agriculture; Communities, Culture and Heritage; and Natural Resources' grant and contribution programs have specific, measurable goals and objectives.
2. To determine if the Departments of Agriculture; Communities, Culture and Heritage; and Natural Resources assess whether grant and contribution programs are achieving their goals and objectives.

Criteria:

1. Each funding program should have documented goals and objectives.
2. The funding mechanism and accountability requirements selected for the program should be supported and consistent with its goals and objectives.
3. Funding programs should be regularly evaluated to determine if goals and objectives are being achieved, and continue to be relevant.
4. Issues and deficiencies identified through program evaluations should be assessed and addressed in a timely manner.

Objective:

To assess if the Departments of Agriculture; Communities, Culture and Heritage; and Natural Resources follow a defined process for awarding grants and contributions.

Criteria:

1. There should be established eligibility criteria and application requirements for each program.
2. Funding should only be awarded to recipients meeting the eligibility criteria.
3. The evaluation of applications should be documented, including the rationale for the final decision and the maximum amount of funding to be provided.
4. Funding decisions should be reviewed and approved prior to notifying the applicant.

**Objective:**

To assess if the Departments of Agriculture; Communities, Culture and Heritage; and Natural Resources accurately and appropriately disburse funding to approved applicants.

Criteria:

1. Terms for the disbursement of funding should be consistent with program guidelines and communicated to approved applicants.
2. Funding should only be disbursed to recipients per the terms of the grant or contribution.
3. Disbursements should be reviewed and approved before being paid to the recipient.
4. There should be an established process in use for recovery of funding when accountability requirements are not met or it is not used in compliance with the terms of the grant or contribution.

Generally accepted criteria consistent with the objectives of the audit did not exist. Audit criteria were developed specifically for this engagement. Criteria were accepted as appropriate by senior management at the Departments of Agriculture; Communities, Culture and Heritage; and Natural Resources.

Our audit approach consisted of reviewing any relevant policies, procedures, and practices, as well as with interviews with Department staff. We tested compliance with established practices through review of applications, grant decisions, funding disbursements, accountability reporting, and grant program evaluations, as well as any other related documents. Our audit period covered April 1, 2015 to March 31, 2017. We examined documentation outside of that period as necessary.

We obtained sufficient and appropriate audit evidence on which to base our conclusions on May 14, 2018, in Halifax, Nova Scotia.

Based on the reasonable assurance procedures performed and evidence obtained, we have formed the following conclusions:

The Departments of Agriculture; Communities, Culture and Heritage; and Natural Resources have established goals and objectives. However, they do not have adequate processes and controls to ensure that grant programs are designed effectively to achieve their goals and objectives.

The departments have not established performance measures and indicators to determine if programs are achieving their goals and objectives.

The departments are generally approving and disbursing grants in line with program guidelines. However, some issues were identified, and improved controls, in the form of assessment tools, are needed to enhance accountability.



Appendix II

Grant Programs Audited

Program	2015-16		2016-17	
	Budget	Actual	Budget	Actual
Agriculture				
Farm Innovation	\$400,000	\$370,641	\$400,000	\$362,274
FarmNext	\$574,000	\$230,009	\$574,000	\$237,732
Homegrown Success	\$2,110,000	\$1,792,373	\$2,110,000	\$1,927,639
Maple Assistance ¹	\$982,000	\$238,479	\$743,521	\$731,003
Pollination Expansion	\$250,000	\$266,096	\$250,000	\$298,838
Vineyard Development and Expansion	\$1,000,000	\$956,201	\$2,200,000	\$926,463
Total	\$5,316,000	\$3,853,799	\$6,277,521	\$4,483,949
<i>¹Program had budget allocated for duration of one-time program. Year two budget is remainder of initial allocation.</i>				
Communities, Culture and Heritage				
Arts NS Grants to Individuals	\$685,000	\$626,519	\$632,000	\$642,587
Community Facility Improvement	\$633,000	\$594,348	\$1,016,000	\$1,093,094
Community Museum Assistance	\$978,600	\$974,205	\$978,600	\$972,713
Creative Industries Fund	–	–	\$2,000,000	\$2,022,309
Discretionary Grants	\$811,500	\$1,033,008	\$404,000	\$1,216,839
One-time Emerging Culture and Heritage Initiatives	\$150,000	\$314,000	\$225,000	\$358,366
Operating Assistance to Cultural Organizations	\$2,101,500	\$2,122,800	\$2,101,500	\$2,122,800
Recreation Facilities Development ²	\$1,095,000	\$2,103,687	\$1,875,000	\$2,192,158
Sport NS Provincial Organizations ²	\$1,133,000	\$1,180,906	\$1,133,000	\$1,196,750
Strategic Funding Initiatives ³	\$500,000	\$731,945	\$1,632,000	\$11,809,156
Total	\$8,087,600	\$9,681,418	\$11,997,100	\$23,626,772
<i>²Programs were the responsibility of the Department of Health and Wellness in 2015-16. Year not included in scope of audit.</i>				
<i>³See Strategic Funding Initiatives section for details on 2016-17 funding increase</i>				
Natural Resources				
Access Road Construction	\$720,000	\$718,500	\$720,000	\$720,000
Habitat Conservation Fund ⁴	\$245,842	\$186,060	\$208,366	\$234,097
Off Highway Vehicle Infrastructure Fund ⁵	\$753,000	\$751,653	\$810,959	\$778,000
Total	\$1,718,842	\$1,656,213	\$1,739,325	\$1,732,097
<i>⁴Budget reflects annual revenue for Habitat Conservation Fund.</i>				
<i>⁵Budget and actual reflects allocation and actual spending on infrastructure projects.</i>				
Total	\$15,122,442	\$15,191,430	\$20,013,946	\$29,842,818

Source: Departments of Agriculture; Communities, Culture and Heritage; Health and Wellness; and Natural Resources (unaudited)