



Office of the Auditor General / Bureau du vérificateur général

FOLLOW-UP TO THE 2010 AUDIT OF SELECTED GRANT RECIPIENTS

– SIGNED AGREEMENTS AND AUDIT CLAUSES

2012

SUIVI DE LA VÉRIFICATION DES BÉNÉFICIAIRES DE SUBVENTIONS

CHOISIS DE 2010 – ENTENTES SIGNÉES ET CLAUSES DE

VÉRIFICATION

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EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2010 Audit of Selected Grant Recipients - Signed Agreements and Audit Clauses was included in the Auditor General's Audit Plan.

The key findings of the original 2010 audit included:

- The City should standardize its audit clause for all granting agreements to replace the three main versions currently in use.
- Regardless of the dollar amounts, it is important that the City have the right to undertake an audit of any grant recipient to ensure that the purpose for which funding has been provided has been achieved.
- A sample of 50 grants from the Community and Cultural funding programs was examined, and the audit found all but one contained a signed agreement between the City and the recipient organization.

Summary of the Level of Completion

The table below outlines management's assessment of the level of completion of the recommendation as of July 3, 2012, as well as our assessment as of March 31, 2013.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	0	0	0
ACTION INITIATED	25 – 49	0	0	0
PARTIALLY COMPLETE	50 – 74	0	0	0
SUBSTANTIALLY COMPLETE	75 – 99	0	0	0
COMPLETE	100	1	1	100%
TOTAL			1	100%

Conclusion

Management has standardized the audit clause and is to implement the changes across funding programs and agreements as they are renewed.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.

RÉSUMÉ

Introduction

Le Suivi de la vérification des bénéficiaires de subventions choisis de 2010 – Ententes signées et clauses de vérification était prévu dans le Plan de vérification du vérificateur général.

Les principales constatations de la vérification de 2010 sont les suivantes :

- Il est recommandé que la Ville remplace ses trois clauses actuelles de vérification par une seule clause uniformisée pour toutes les ententes de subvention.
- Quel que soit le montant de la subvention, il importe que la Ville soit autorisée à mener une vérification auprès de tout bénéficiaire de subvention afin de contrôler si l'argent versé a bien été employé aux fins prévues.
- La vérification portait sur un échantillon de 50 subventions octroyées pour le Programme de financement communautaires et le Programme de financement culturels; de ce nombre, une subvention ne comportait pas d'entente signée entre la Ville et l'organisme bénéficiaire

Sommaire du degré d'achèvement

Le tableau ci-dessous présente l'évaluation de la direction concernant le degré d'achèvement de la recommandation au 3 juillet 2012, ainsi que notre évaluation au 31 mars 2013.

CATÉGORIE	POURCENTAGE COMPLÉTÉ	RECOMMANDATIONS	NOMBRE DE RECOMMANDATIONS	POURCENTAGE DU TOTAL DES RECOMMANDATIONS
PEU OU PAS DE MESURES PRISES	0 – 24	0	0	0
ACTION AMORCÉE	25 – 49	0	0	0
COMPLÉTÉE EN PARTIE	50 – 74	0	0	0
PRATIQUEMENT COMPLÉTÉE	75 – 99	0	0	0
COMPLÉTÉE	100	1	1	100 %
TOTAL			1	100 %

Conclusion

La direction a normalisé la clause relative à la vérification et apportera les modifications aux programmes et aux ententes de financement au fur et à mesure de leur renouvellement.

Remerciements

Nous tenons à remercier la direction pour la coopération et l'assistance accordées à l'équipe de vérification.

1 INTRODUCTION

The Follow-up to the 2010 Audit of Selected Grant Recipients - Signed Agreements and Audit Clauses was included in the Auditor General's Audit Plan.

2 KEY FINDINGS OF THE ORIGINAL 2010 AUDIT

The key findings of the original 2010 audit included:

- The City should standardize its audit clause for all granting agreements to replace the three main versions currently in use.
- Regardless of the dollar amounts, it is important that the City have the right to undertake an audit of any grant recipient to ensure that the purpose for which funding has been provided has been achieved.
- A sample of 50 grants from the Community and Cultural funding programs was examined, and the audit found all but one contained a signed agreement between the City and the recipient organization.

3 STATUS OF IMPLEMENTATION OF 2010 AUDIT RECOMMENDATION

2010 Recommendation 1

That the City standardize the audit clause in grant agreement documents using the conditions set out in the Community Funding Contribution Agreement. Where the requirement for audited financial statements does not apply, this condition should be removed.

Management Response

Management agrees with the recommendation.

The Community Funding Contribution Agreement will be used as a template to standardize the audit clause in grant agreement documents, subject to review and approval by Legal Services and the Grants and Contributions Coordination and Oversight Committee.

Once finalised and approved, this clause will be incorporated in all new agreements being drafted and in existing agreements as they come up for renewal, in Q4 2011.

Management Representation of the Status of Implementation of Recommendation 1 as of July 3, 2012

In Q2 2012, the Grants and Contributions Oversight and Co-ordination Committee approved a standard audit requirement clause for grant agreement documents, as per the recommendation of Legal Services. Where the requirement for audited financial statements does not apply, this condition shall be removed from the standard audit requirement clause.

Instructions were distributed to all Program Administrators to incorporate the standard clause in all new agreements being drafted and to update existing agreements with the new clause upon renewal.

Management: % complete ***100%***

OAG's Follow-up Audit Findings regarding Recommendation 1

As noted above, we found that the standard audit requirement clause was approved in Q2, 2012. Instructions were distributed to program administrators in Q3, 2012.

Appendix B of the Grants and Contribution Policy effective January 2011 states that the new Corporate Funding Framework will ensure that clauses for audit are consistent in the various agreements across programs.

As part of this follow-up, a sample of 20 grants from the Community and Cultural funding programs were examined. As the agreements (or terms and conditions) were initiated prior to the release of the standardized wording we found that audit clauses in 7 of the 10 Community Funding agreements were based on the prior Community Funding Contribution Agreement wording and 6 of the Cultural Funding Agreements were updated audit clauses based on the prior Community Funding Agreements. The remaining 7 contained audit clauses which differed to a greater extent.

We noted that 8 out of 10 of the examples for Community Funding included the legal stamp "Approved for Execution" dated and signed by the legal representative. We noted that none of the Cultural Funding examples included this legal approval but management indicated that Legal had been involved with the agreements and that this step will be done on a go-forward basis as directed by the June 27, 2012 Council Motion No. 37/6 for funding agreements. The two Community Funding examples which did not include the legal stamp were from the Non-Renewable One-Year Community Project Funding Envelope each in the amount of \$15,000 which was handled through a Letter of Agreement with attached Terms and Conditions. The two Cultural Funding examples which had been signed after June 27, 2012 did not include the legal stamp and were from the Capacity Building Funding Program each in the amount of \$20,000 which was handled through the application form with attached Terms and Conditions. Management has indicated that they don't consider funding provided through programs handled through Terms and Conditions subject to legal approval.

We noted that there remain some differences between the updated audit clause being considered standard for Cultural Programs and the standardized wording provided to program administrators such as for the financial statement requirements and terminology use which uses funds and contribution interchangeably. Management has indicated that there are in excess of 40 different documents used across over 15 different programs resulting in lead times and effort required to implement changes as well as the related translations.

OAG: % complete ***100%***

4 SUMMARY OF THE LEVEL OF COMPLETION

The table below outlines management's assessment of the level of completion of the recommendation as of July 3, 2012, as well as our assessment as of March 31, 2013.

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5 CONCLUSION

Management has standardized the audit clause and is to implement the changes across funding programs and agreements as they are renewed.

6 ACKNOWLEDGEMENT

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.