Office of the
Auditor General
of British Columbia

B.C.'s COVID-19 Response: Destination Development Grants

An independent audit report

Office of the
Auditor General
of British Columbia

623 Fort Street
Victoria, British Columbia
V8W 1G1

P: 250.419.6100
F: 250.387.1230

oag.bc.ca

The Honourable Raj Chouhan
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
V8V 1X4

Dear Mr. Speaker:

I have the honour to transmit to the Speaker of the Legislative Assembly of British Columbia the report, *B.C.'s COVID-19 Response: Destination Development Grants.*

We conducted this audit under the authority of section 11(8) of the *Auditor General Act.* All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001 – Direct Engagements, set out by the Chartered Professional Accountants of Canada (CPA Canada) in the *CPA Canada Handbook – Assurance.*

Michael A. Pickup, FCPA, FCA
Auditor General of British Columbia
Victoria, B.C.

May 2023

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Construction of Alert Bay campground facility
Source: Village of Alert Bay and B.C. Ministry of Tourism, Arts, Culture and Sport

Audit at a glance

Why we did this audit

- The COVID-19 pandemic devastated B.C. tourism, with nearly two-thirds of people in the industry losing their jobs in 2020. The B.C. government included tourism-related Destination Development grants in its broader strategy for economic recovery.

- The Ministry of Tourism, Arts, Culture and Sport administered the grants, targeting community-led, small-scale infrastructure projects. The program was launched under a compressed timeline, raising the risk of grant applications being inconsistently assessed.

- In all, the ministry approved 106 grants totalling $41.4 million between 2021 and 2022. The program continues as the Destination Development Fund because of high demand.

Objective

To determine whether the Ministry of Tourism, Arts, Culture and Sport administered the Community Economic Recovery Infrastructure Program – Destination Development grants according to government transfer payment policy and program guidelines.

Audit period

Sept. 1, 2020 to Nov. 30, 2022.

Conclusion

The ministry met most government grant policies and program guidelines. However, there were minor gaps and inconsistencies in the evaluation process and the monitoring strategy.

The ministry has accepted our four recommendations for improving the evaluation process, documentation, and monitoring strategy.

What we found

The ministry established the program according to government policy and program guidelines	- The ministry secured proper approvals. - It set appropriate eligibility criteria and funding requirements. - It developed appropriate written agreements with all 106 grant recipients. No recommendation.

Application evaluations were well designed and implemented, with only minor gaps and inconsistencies	- The ministry used systematic evaluations for all applicants. They were assessed according to set criteria and in multiple reviews.
	- There were minor gaps and inconsistencies related to the evaluation process. For example:
	  - Twelve of 106 successful applicant files were missing notes from reviewers detailing the rationale for the funding decision.
	  - Due diligence was done on all application files, but it wasn't well defined in the evaluation guidance.
	Recommendations 1, 2, and 3.

Audit at a glance *(continued)*

The ministry implemented a strategy to monitor grant recipients, but there were minor issues in the design and implementation

- The ministry used a monitoring strategy for tracking compliance and addressed cases of non-compliance with funding requirements.
- However, we found minor issues:
  - The process to monitor recipient's expenditures led to delays in receiving information in some instances.
  - Not all progress reports were received on time.
  - There were gaps in documentation in the system used to track compliance.

Recommendation 4.

After reading the report, you may wish to ask the following questions of government:

1. How will this program evolve to support tourism development?
2. How will the program monitor the economic impact of the grants?
3. What is being done to help ensure all the projects are completed?

Background

The COVID-19 pandemic disrupted the economy, and the B.C. tourism industry was one of the hardest hit sectors.

In 2019, there were more than 130,000 jobs in almost 20,000 tourism-related businesses. The industry generated more than $20 billion in annual revenue. A year later – after COVID-19 arrived and public health measures were in place to help limit the spread of the virus – B.C. tourism revenue suddenly declined 67 per cent and tourism employment fell 64 per cent.
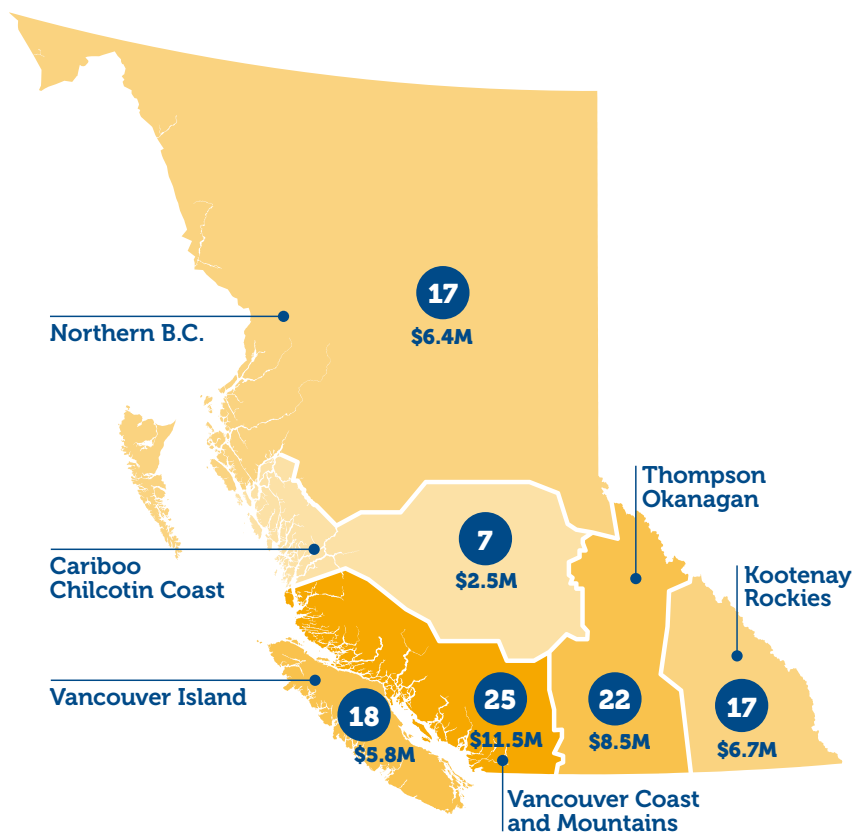
In September 2020, the provincial government introduced its COVID-19 economic recovery plan, with an initial $100 million for the Community Economic Recovery Infrastructure Program. The program supported job creation through small-scale infrastructure projects, economic development, and cultural heritage initiatives. Grants went to local governments, non-profit organizations, and Indigenous governments.

The program had five focus areas, including the Destination Development grant program, administered by the Ministry of Tourism, Arts, Culture, and Sport. Destination Development grants were designed for tourism-related infrastructure projects across B.C. The ministry developed and launched the program quickly to expedite funding.

The ministry approved a total of $20 million for 54 projects in 2020. The program received far more applications than it could fund (216 applications in total). A second round of funding was added in 2021. The ministry provided an additional $21.4 million to 52 projects selected from the initial group of applicants.

In November 2022, Destination Development grants became an ongoing ministry program known as the Destination Development Fund.

$41.4 million allocated by region to 106 projects

Northern B.C. — 17 — $6.4M

Cariboo Chilcotin Coast — 7 — $2.5M

Thompson Okanagan — 22 — $8.5M

Kootenay Rockies — 17 — $6.7M

Vancouver Island — 18 — $5.8M

Vancouver Coast and Mountains — 25 — $11.5M

Objective

To determine whether the Ministry of Tourism, Arts, Culture and Sport administered the Community Economic Recovery Infrastructure Program – Destination Development grants according to government transfer payment policy and program guidelines.

Scope

We looked at the ministry's program design, evaluation process, and the monitoring and reporting of Destination Development grant recipients for the first two rounds of funding in 2021 and 2022.

We focused on how the ministry developed and administered the grants and not the program's economic outcomes and impact.

We did not directly audit organizations that received funding, although the team interviewed some of the recipients about their perspectives and experiences with the program.

Audit period: Sept. 1, 2020 to Nov. 30, 2022.

Learn more about the audit criteria on page 25.

Learn more about how we did this audit on page 22.

The Polygon Gallery, North Vancouver
Source: British Columbia Photography and Media Arts Society and B.C. Ministry of Tourism, Arts, Culture and Sport

Conclusion

The Ministry of Tourism, Arts, Culture and Sport administered the Community Economic Recovery Infrastructure Program – Destination Development grants according to most government transfer payment policies and program guidelines:

- It followed the proper approval process.
- It established appropriate eligibility criteria and funding requirements.
- It implemented a systematic applicant evaluation process.
- It developed appropriate written agreements with grant recipients.

However, there were minor gaps and inconsistencies in the evaluation process and the design and implementation of the monitoring strategy. These exceptions did not significantly affect the ministry's compliance with policy and program guidance.

Cast and crew of Bard on the Beach's play *A Midsummer Night's Dream*
Source: Tim Matheson, Bard on the Beach Shakespeare Festival and B.C. Ministry of Tourism, Arts, Culture and Sport

Findings and recommendations

Program design and development

A successful government program obtains appropriate authorizations, aligns program goals with broader strategic objectives, and clarifies program expectations. Grant programs may have additional requirements to make sure funding decisions follow set criteria.

General requirements for the design, implementation and monitoring of funding programs are in the provincial government's *Core Policy and Procedures Manual*. Chapter 21 has direction for government financial transfers – including grant programs – to external organizations, along with guidance for program design and approval. The policy and program guidelines formed the basis of our audit criteria.

The ministry established the grant program according to government policy and program guidelines

What we looked for

We examined whether the ministry established the Destination Development grants according to the *Core Policy and Procedures Manual* requirements by:

- Securing proper approval.
- Ensuring the program aligned with broader strategic and organizational objectives.
- Establishing eligibility criteria for qualified funding applicants.
- Requiring recipients to use the funding as intended.

We also looked at whether the ministry's eligibility criteria met the broader objectives of the Community Economic Recovery Infrastructure Program.

What we found

The ministry obtained the necessary approvals for government transfers and these approvals clearly aligned with program objectives and the ministry's strategic objectives.

The ministry also created eligibility criteria for determining the types of applicants who could apply for the program and set out requirements that applicants would need to meet before being approved for funding.

The ministry received the required approvals to establish the grant program and aligned it with strategic and organizational objectives

We found that the ministry met the government transfer review process requirements for the two rounds of funding in 2020 and 2021. This involved completing a government transfer review form for each funding allocation and obtaining appropriate approvals.

The ministry aligned the program with the government's economic recovery objectives (and its own strategic objectives) by focusing on projects that would strengthen community tourism development and provide jobs (see "Destination Development funding stream objectives").

Destination Development funding stream objectives

The stream invests in the development, conservation, repair, or rehabilitation of tourism infrastructure and amenities to assist in the re-emergence and resiliency of the tourism sector, creating jobs that will provide long-term benefits for the tourism sector and local communities. Proposed projects that develop and sustain tourism places for communities and visitors must be aligned with the following economic recovery objectives:

- Shovel-ready projects that can be expedited.
- Provides jobs opportunities and immediate stimulus.
- Strengthens the destination offering to elevate B.C.'s long-term competitiveness and reputation as a "must visit" travel destination.
- Strengthens community tourism development and resident support for tourism.
- Supports B.C.'s 19 destination development local area plans.
- Increases the capacity of tourism destinations to welcome visitors, including adjusting to COVID-19 protocols.

Source: B.C. Government - *Community Economic Recovery Infrastructure Program Guide*

The ministry established appropriate eligibility criteria

The government may impose eligibility criteria for selecting transfer payment recipients. We found the ministry established specific criteria for the types of applicants and projects eligible for Destination Development grants. We also found a clear and consistent alignment between the eligibility criteria and the Community Economic Recovery Infrastructure Program objectives.

Eligibility criteria were available to all prospective applicants in the *Community Economic Recovery Infrastructure Program Guide.* Applicants had to be local governments, not-for-profit organizations, or Indigenous governments and organizations. Projects had to create tourism infrastructure and attractions, improve visitor experience with new amenities, or enhance tourism facilities to support COVID-19 protocols.

The ministry established requirements for recipients to use the funding as intended

The ministry included funding requirements in its contribution agreements with recipients. The requirements outlined what the funds could and couldn't be used for, as well as other program requirements. We found that the contribution agreements clearly stated the recipient's obligations and consequences for non-compliance. Recipients were required to:

- Have a construction start date of no later than Dec. 31, 2021, for first round projects, and no later than July 31, 2022, for second round projects, with completion by no later than March 31, 2023, (both rounds of funding).
- Use the funds solely for the purposes of the project.
- Notify – and potentially consult and accommodate – Indigenous groups regarding the proposed project.
- Maintain accounting and administrative records.
- Meet ministry reporting requirements (including periodic progress reports, interim expenditure reports, a final report, and potentially a project audit report).
- Repay funds or face other measures if recipients are non-compliant.

The ministry established contribution agreements with all successful applicants and the contribution agreements were consistent for all recipients.

Why this matters

By following government transfer review processes and obtaining necessary approvals, the ministry clearly aligned the program with the strategic and organizational objectives for economic recovery and tourism development.

Eligibility criteria and funding requirements helped the ministry make funding decisions. Defining the obligations of the ministry and grant recipients in the contribution agreements ensured that terms of the funding were clear.

Recommendation

We have no recommendations in this area.
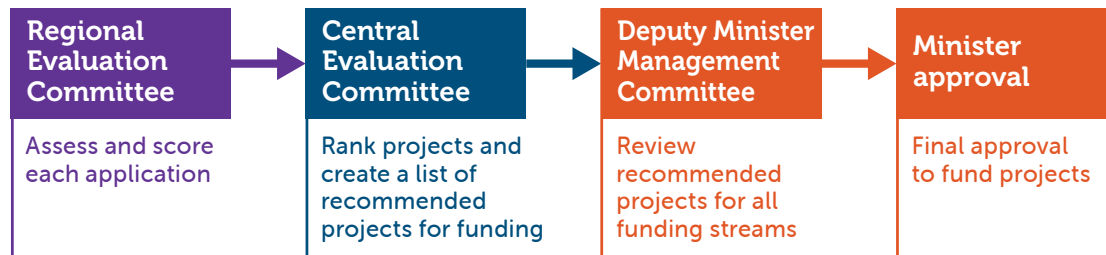
Evaluating grant applications

Governments need well-defined processes to evaluate requests for grants so that funds go to applicants who can complete their projects and meet program objectives. Destination Development grants were in high demand, reinforcing the need for a strong evaluation process.

The ministry established six regional evaluation committees and a central evaluation committee. It provided the committees with a handbook that included guidance for reviewing grant applications and documenting their assessments (see "Evaluation process structure" chart).

Regional evaluation committees consisted of a ministry staff member and two members of the region's tourism management organization, such as the Thompson Okanagan Tourism Association. Regional committees were responsible for screening each grant proposal by applying the program's eligibility criteria and completing an application assessment form.

The central committee was responsible for reviewing the regional evaluations, checking the applications for scoring consistency, and producing a recommended list of projects. The deputy minister then presented the list to the Deputy Ministers' Management Committee to review regional funding parity before the list was sent to the minister for final approval.

Evaluation process structure

Regional Evaluation Committee	Central Evaluation Committee	Deputy Minister Management Committee	Minister approval
Assess and score each application	Rank projects and create a list of recommended projects for funding	Review recommended projects for all funding streams	Final approval to fund projects

The application evaluation process was well designed and implemented, with minor gaps and inconsistencies

What we looked for

The *Core Policy and Procedures Manual* sets expectations for evaluating grant applications systematically by using eligibility criteria and implementing a fair, open and transparent selection process.

We examined how the ministry evaluated Destination Development grant applications to see if the process aligned with government policy and program guidelines. We assessed how the ministry established the process, including:

- Staff roles and responsibilities for evaluating and selecting applications for funding.
- Clearly defined steps and expectations for applicants to meet to receive funding.
- A method to determine the amount of funding awarded to successful applicants.

We further examined whether the ministry consistently followed the process, including whether all successful funding recipients met the evaluation process requirements, and whether the ministry conducted due diligence to ensure applicants had sufficient capacity to meet program objectives.

What we found

The ministry created and used an evaluation process that aligned with most government policy and program guidelines.

The ministry defined most roles and responsibilities and created guidance for the applications and assessments. The ministry consistently followed the evaluation process and ensured that most applicants met the funding requirements. The ministry also conducted due diligence to ensure that applicants had the capacity to complete their projects, despite that not being a part of the ministry's guidance.

However, we found some minor gaps and inconsistencies where the ministry did not clearly define certain responsibilities or expectations in the evaluation guidance. We also noted some instances where the guidance was not interpreted consistently by evaluators, or documentation was missing.

The ministry established a systematic evaluation selection process that aligned with most requirements, though there were minor gaps and inconsistencies

The ministry created a selection process that aligned with most government policy and program guidelines. It defined the roles and responsibilities of reviewers as well as the steps and expectations applicants needed to meet to receive funding.

The handbook established the roles and responsibilities of ministry staff and evaluators along different stages of committee approvals. It also defined the process for how applicants would be evaluated.

The handbook outlined how evaluators needed to assess applicants using mandatory requirements. Applicants would then be scored on questions about contributions to local economic growth and job creation, and alignment with Destination Development program objectives.

However, we noted some minor gaps and inconsistencies. We found that these deficiencies did not significantly impact the ministry's overall ability to assess applicants, but they raised the risk of inconsistencies in how each application was evaluated.

- The evaluation handbook said individual fund amounts could be reduced to maximize the number of funded projects, but it did not state conditions for scaling back funds. It also didn't state that the central evaluation committee would be responsible for determining any funding adjustments and documenting their rationale.
- The handbook didn't define which committee or individual would be responsible for screening or accepting high-risk projects.
- Two questions in the application assessment were not in the application document.

Shuswap cultural heritage attraction project
Source: Salmon Arm Museum and Heritage Association and B.C. Ministry of Tourism, Arts, Culture and Sport

The ministry followed the evaluation process that it had established

We found in most instances the ministry followed the screening and evaluation process defined in the application assessment template and the evaluation handbook.

The ministry evaluated and reviewed all applications. Information about the applicant, their project, and the assessment, was recorded in a spreadsheet.

Ninety-four of the 106 approved projects (89 per cent) – representing $36.6 million of the $41.4 million total funding (88 per cent) – met all evaluation criteria. The other 12 projects had various issues such as lower scores, few jobs created, or unclear start dates. While these projects were approved by the ministry, it was unclear from the ministry's documentation whether reviewers had identified and accepted these issues.

We also identified some minor gaps and inconsistencies in how the evaluation process was implemented:

- In some instances, regional evaluators inconsistently interpreted the guidance.
- Some master assessments were incomplete, blank, or missing sign offs.
- We found exceptions where the ministry did not document all rationale for recommending projects.

While the work of the regional evaluators was reviewed and discussed by the central evaluation committee and the deputy minister, a clearer definition of the evaluation guidance could minimize instances of inconsistent interpretation and support the fairness and transparency of the evaluation process.

The ministry conducted due diligence to ensure recipients had capacity to meet program objectives

We found that the ministry conducted due diligence to ensure that successful applicants had sufficient capacity to meet program objectives by:

- Checking the BCeID registry to confirm all applicants had valid business licences.
- Contacting all applicants to reconfirm eligibility.
- Conducting informal background checks.
- Requesting information and input from other entities and stakeholders about the applicants and their proposed projects.

We found a minor gap where the ministry didn't require applicants to confirm they had obtained the necessary approvals or permits to start construction quickly. A further exception is that the ministry's evaluation guidance didn't require the ministry to conduct a formal due diligence process.

Why this matters

Clear evaluation guidance reduces the risk of inconsistency by reviewers. Inconsistent implementation of an evaluation process can increase the risk of inaccurate scoring or misalignment with program objectives. It further increases the risk of an ineligible applicant being incorrectly approved. Being clear about documentation requirements, determining funding amounts, and defining due diligence expectations helps ensure grants are awarded fairly and transparently.

Recommendations

We recommend that the Ministry of Tourism, Arts, Culture, and Sport:

1. Ensure that evaluation guidance defines all aspects of the evaluations process, including risk assessments, scoring criteria, and funding decision roles and responsibilities.

2. Establish expectations and ensure that staff document their rationale for evaluation and funding decisions.

3. Formally define a due diligence process in evaluations guidance to help ensure that funding recipients meet program objectives.

Work on Mt. Morrisey Destination Trail
Source: Sun Peaks Recreational Trail Association and B.C. Ministry of Tourism, Arts, Culture and Sport

Monitoring and reporting strategy

Government transfer programs require strong monitoring processes to see if grant funds are used appropriately and are achieving intended outcomes. Effective monitoring – including robust reporting requirements for grant recipients – can help government detect potential compliance issues with funding recipients.

The ministry implemented a strategy to monitor fund recipients but there were minor issues in its design and implementation

What we looked for

The *Core Policy and Procedures Manual* requires records of government transfer payments, use of an appropriate information management system, and a monitoring strategy.

We looked at whether the ministry established and implemented a monitoring strategy for the Destination Development grants to see if recipients met funding requirements. We examined how the ministry set up its monitoring process, whether it had a system to track information from recipients, whether it had a process to address situations where recipients were not meeting requirements, and if it followed these processes.

Learn more about the audit criteria on page 25.

What we found

The ministry designed and implemented a monitoring strategy that enabled it to receive reports from recipients to confirm their compliance with funding requirements, with some exceptions.

The ministry received most of the required reports from recipients, although records of recipients' compliance with reporting requirements weren't all up to date. There was also a design gap that limited the ministry's ability to monitor recipients who weren't spending their grant funds.

The ministry established a monitoring strategy, with a design gap

The ministry followed the reporting expectations in the Community Economic Recovery Infrastructure Program and set out report requirements in its contribution agreements with the funding recipients (see "Reports from grant recipients" table). We found that these allowed the ministry to monitor recipients' compliance with the funding requirements.

However, we found that the process for monitoring expenditures created a gap in information. If a project was delayed or didn't start, and the recipient wasn't spending its funding, the ministry wouldn't have information on the status of the expenditures. This is because the progress reports, which were the only reports with fixed dates, didn't require recipients to provide information about expenditures.
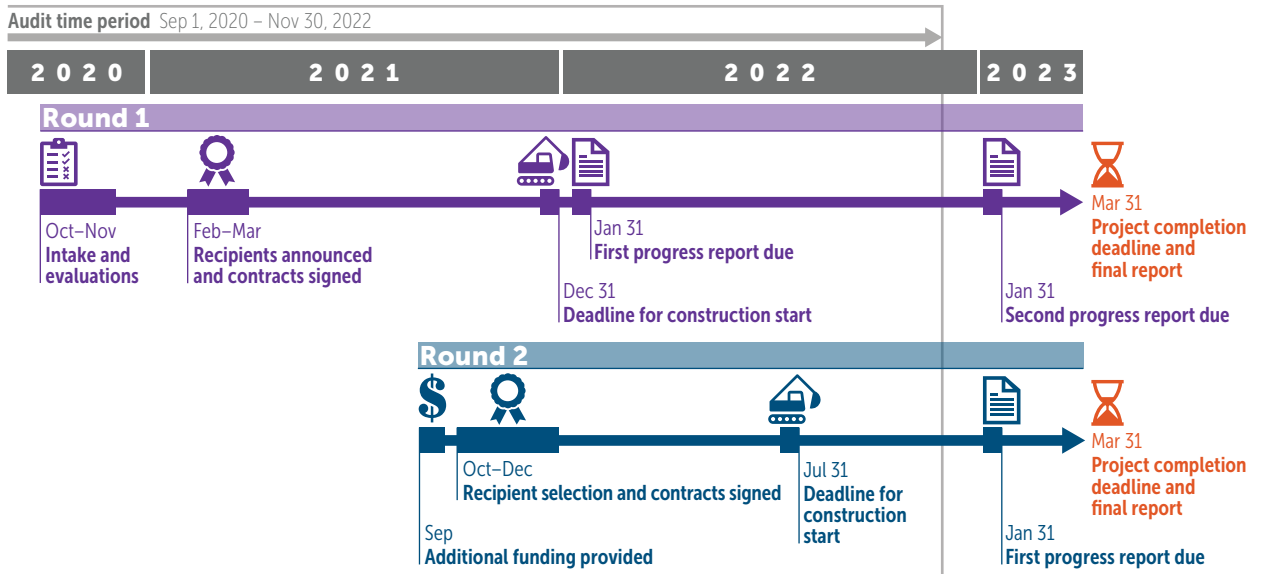
Reports from grant recipients

Report type	Report requirements	Timing (see implementation timeline on next page)
Interim expenditure reports	Recipients must submit expenditure summaries after spending a certain percentage of the grant.	Round one projects: when 25%, 75% and 100% of funding is spent. Round two projects: when 50% and 100% of funding is spent.
Periodic progress report	Recipients must submit a progress report each year until project completion.	Round one projects: Jan. 31, 2022 Both project rounds: Jan. 31, 2023
Final report	Recipients must submit a summary of final expenditures and information on the number of people employed by the project (number of women, Indigenous peoples, new Canadians, and young adults).	One year after project completion but no later than Mar. 31, 2023. Deadline is the same for both rounds of funding.
Optional reports		
Project audit report*	The ministry may request a project audit report from recipients to confirm compliance with the contribution agreements.	At the ministry's request.
Impromptu information request**	The ministry may request other information from recipients, as needed.	At the ministry's request.

* The ministry did not request project audit reports from any funding recipients.

** The ministry contacted funding recipients to follow up on missing reports and to request additional information.

Implementation timeline and summary of key reporting deadlines

Audit time period Sep 1, 2020 – Nov 30, 2022

2020 **2021** **2022** **2023**

Round 1

Oct–Nov
Intake and evaluations

Feb–Mar
Recipients announced and contracts signed

Jan 31
First progress report due

Dec 31
Deadline for construction start

Mar 31
Project completion deadline and final report

Jan 31
Second progress report due

Round 2

Oct–Dec
Recipient selection and contracts signed

Sep
Additional funding provided

Jul 31
Deadline for construction start

Jan 31
First progress report due

Mar 31
Project completion deadline and final report

The ministry implemented the monitoring strategy, but it did not always receive timely reports from recipients

The ministry followed the monitoring processes in the *Community Economic Recovery Infrastructure Program Guide,* using the standard reporting requirements in the contribution agreement template. Our audit period ended before any 2023 reports were due. The reporting dates, requirements, and our audit period are identified in the diagram above.

Expenditure reports

First-round grant recipients needed to submit expenditure reports when one quarter and three quarters of their funds were spent. Round two recipients had to submit an expenditure report when half their funds were spent.

All funding recipients had to submit final expenditure reports when they spent their entire funding. The following table shows that the ministry received few expenditure reports by the time of our audit, November 2022.

Type of expenditure report	Number of reports received
Round one: 25% expenditure reports	16/54 from round one recipients
Round one: 75% expenditure reports	9/54 from round one recipients
Round two: 50% expenditure reports	1/52 from round two recipients
All: 100% expenditure reports	8/54 from round one recipients 0/52 from round two recipients

The information in the table above didn't demonstrate to the ministry whether projects met the relevant spending thresholds, or if the recipients didn't submit the required reports. This was because a project that wasn't spending its funding wouldn't meet the stipulated thresholds to submit expenditure reports. In addition, the ministry was not tracking expenditures in the progress reports.

This increased the risk that projects would not fulfil their economic stimulus objectives, or that the ministry may need to recover funding from non-compliant recipients.

Periodic progress reports

First-round grant recipients had to submit their first periodic progress report by Jan. 31, 2022, and their second by Jan. 31, 2023. Second-round grant recipients weren't required to submit their first progress reports until Jan. 31, 2023 (after our audit period).

As noted in the table below, two projects didn't submit a progress report, and 19 projects were late submitting a progress report. The ministry followed up on late submissions and received the 19 reports within a few weeks after the deadline.

Progress report status	Number of first-round projects (54 total)
Submitted progress report on time	29
Submitted progress report late	19
Did not submit progress report, but had already submitted final report	4
Did not submit a progress report	2

The ministry tracked the reports, but documentation was incomplete in some instances

The ministry followed the *Core Policy and Procedures Manual* requirement to use an appropriate information management system. The ministry used two systems for tracking the reports it required from recipients:

1. The Local Government Information System for the annual periodic progress reports.
2. A report tracking spreadsheet for progress reports, expenditure reports and final reports. This was the ministry's primary tool for tracking reports.

We found minor issues in how the ministry kept information in the report tracker spreadsheet. The report tracker did not:

- List the date that funding recipients submitted progress or final reports.
- Include a summary of the actual expenditures for each project.
- Have a consistent way to identify and categorize the overall progress of each project.

These deviations limited the ministry's ability to compare a recipient's total grant amount with total actual expenditures, or see if recipients were meeting deadline requirements.

The ministry addressed instances of non-compliance with funding requirements

We found the ministry addressed situations where funding recipients weren't meeting requirements. For minor scope changes or deadline extensions, the ministry followed a standard contract change process.

We learned that the ministry called or emailed recipients who were behind on their reporting obligations. They were asked about the status of their projects and their overdue reports. Some of these contacts were recorded in the report tracker spreadsheet.

As of Nov. 3, 2022, the ministry had received 33 project change requests. Three resulted in a finalized contract amendment – all of which followed the prescribed process. Several recipients requested project deadline extensions. Two recipients didn't respond to the ministry, and we learned that the ministry would need to partially or fully recoup funding if those projects weren't completed by the deadline.

The ministry told us that, where possible, it preferred to work with recipients to resolve issues (and reduce the need to recoup funds) by accommodating projects affected by natural disasters, supply chain issues, or labour shortages beyond the recipients' control. We spoke to five recipients. Their overall positive experiences with the ministry had enabled them to work towards program objectives.

Why this matters

An effective monitoring framework ensures recipients use government grants appropriately, complete their projects on time, and meet broader economic recovery objectives. The ministry's monitoring framework allowed it to monitor compliance with the funding requirements, however there was a risk that the ministry wouldn't receive timely information on expenditures because the expenditure reports didn't have deadlines attached to them.

Recommendation

4. We recommend that the Ministry of Tourism, Arts, Culture, and Sport improve the design of its monitoring strategy to help ensure it receives timely expenditure reports to monitor compliance with funding requirements.

See the response from the auditee on page 24.

About the audit

We conducted this audit under the authority of section 11(8) of the *Auditor General Act* and in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001 – Direct Engagements, set out by the Chartered Professional Accountants of Canada (CPA Canada) in the *CPA Canada Handbook – Assurance*. These standards require that we comply with ethical requirements and conduct the audit to independently express a conclusion against the objective of the audit.

A direct audit involves understanding the subject matter to identify areas of significance and risk, and to identify relevant controls. This understanding is used as the basis for designing and performing audit procedures to obtain evidence on which to base the audit conclusion.

The audit procedures we conducted include document review, file reviews of all applications, assessments, and reports for rounds one and two of the Destination Development funding, data analysis, and interviews with ministry staff and funding recipients.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our office applies the Canadian Standard on Quality Management (CSQM 1), and we have complied with the independence and other requirements of the code of ethics issued by the Chartered Professional Accountants of British Columbia that are relevant to this audit.

Audit report date: May 9, 2023

Michael A. Pickup, FCPA, FCA
Auditor General of British Columbia
Victoria, B.C.

Appendix A: Recommendations and auditee response

Recommendation 1: We recommend that the ministry ensure that evaluations guidance defines all aspects of the evaluations process, including risk assessments, scoring criteria, and funding decision roles and responsibilities.

Recommendation 1 response: The Ministry agrees with the recommendation.

Current funding program has addressed these concerns by:

- Providing a detailed evaluation guidebook for program managers, adjudicators and administrators so the evaluation process is clearly outlined at every step of the review, evaluation and decision making process;
- Developing robust risk assessment instructions, criteria and scoring guidelines for adjudicators;
- Providing an evaluation scoring matrix for adjudicators for each point of evaluation.

In addition, the Ministry has invested in program management software – Salesforce – that delineates clear roles and responsibilities of administration, adjudication, program management and decision making.

Recommendation 2: We recommend that the ministry establish expectations for, and ensure that, staff document their rationale for evaluation and funding decisions.

Recommendation 2 response: The Ministry agrees with the recommendation.

Current funding program has addressed these concerns through investing in program management software – Salesforce – which provides ample space for staff to record rationale for evaluation, both by the adjudicators and the program lead, and for decisions by the program director. Responsibilities in each of these roles is clearly delineated, and a clear progression of evaluation (from adjudicator to program lead to director) ensures rationale is recorded and builds on comments previously recorded.

Recommendation 3: We recommend that the ministry formally define a due diligence process in evaluations guidance to help ensure that funding recipients meet program objectives.

Recommendation 3 response: The Ministry agrees with the recommendation.

Current funding program has addressed these concerns through the development of a detailed evaluation guidebook for program managers, adjudicators and administrators so the evaluation process is clearly outlined at every step of the review, evaluation and decision making process. In addition, the Ministry established a two stage intake process for the delivery of the program.

- Stage 1 invited Expression of Interest (EOI) to determine eligibility of project and strategic alignment.
- Stage 2 invited proponents to submit a full application that assessed achievement of program objectives, risk, and ability to deliver the project within the program timelines.

This achieved several objectives:

- The work of applicants was streamlined for better client service;
- Program could confirm project relevance and strategic alignment at the early stage of evaluation;
- Due diligence was robust and evidence based at Stage 2 to ensure alignment with program criteria and objectives.

Recommendation 4: We recommend that the Ministry of Tourism, Arts, Culture, and Sport improve the design of its monitoring strategy to ensure it receives timely expenditure reports to monitor compliance with funding requirements.

Recommendation 4 response: The Ministry agrees with the recommendation.

The audit report states that "…the expenditure reports didn't have deadlines attached to them." Instead of defined deadlines, the proponent was required to submit expenditure reports at various phases of completion of the project (25%, 50%, 75%, 100%). This required the proponent to make a judgement call as to progress of project. Current program has removed this ambiguity, and expenditure reports are now due with periodic progress reports, which are due on January 31 of each calendar year from start of the project to completion of the project.

Appendix B: Audit criteria

Line of enquiry 1: Program Design

Criteria

1.1: The ministry followed the *Core Policy and Procedures Manual* approval process in establishing the Community Economic Recovery Infrastructure Program – Destination Development funding stream to support the ministry's strategic and organizational objectives.

> **1.1.1:** The ministry completed a government transfer request for the Community Economic Recovery Infrastructure Program – Destination Development funding that was approved by a ministry officer with delegated expense authority and the ministry's chief financial officer

> **1.1.2:** The ministry's Community Economic Recovery Infrastructure Program – Destination Development government transfer request outlined how the funding aligned with broader strategic and organizational objectives

1.2: The ministry established eligibility criteria for the Community Economic Recovery Infrastructure Program – Destination Development funding that aligned with the *Core Policy and Procedures Manual* and CERIP-DD program guidelines.

> **1.2.1:** The ministry identified what type of applicant and project was eligible to receive the Community Economic Recovery Infrastructure Program – Destination Development funding

> **1.2.2:** The ministry identified how the defined eligible Destination Development projects contribute to the Community Economic Recovery Infrastructure Program objectives

1.3: The ministry established a selection process for evaluating the Community Economic Recovery Infrastructure Program – Destination Development funding applications that aligned with the *Core Policy and Procedures Manual* and CERIP-DD program guidelines.

> **1.3.1:** The ministry defined the roles and responsibilities in the selection process for evaluating the Community Economic Recovery Infrastructure Program – Destination Development funding applications

> **1.3.2:** The ministry defined the process for evaluating the Community Economic Recovery Infrastructure Program – Destination Development funding applications

> **1.3.3:** The ministry defined the process for determining funding amounts for successful funding applications

1.4: The ministry established the Community Economic Recovery Infrastructure Program – Destination Development funding requirements that aligned with the *Core Policy and Procedures Manual.*

1.4.1: The ministry established that the Community Economic Recovery Infrastructure Program – Destination Development funding recipients must meet specific stipulations after funding is provided to them

1.4.2: The ministry established that the Community Economic Recovery Infrastructure Program – Destination Development funding must repay the funds if they are not used to achieve the purpose outlined in the agreement between the ministry and recipient

1.4.3: The ministry identified how funding requirements addressed the Community Economic Recovery Infrastructure Program – Destination Development program's intended outcomes

1.5: The ministry established processes for ensuring the Community Economic Recovery Infrastructure Program – Destination Development funding recipients complied with funding requirements that aligned with the *Core Policy and Procedures Manual.*

1.5.1: The ministry established a monitoring strategy for the Community Economic Recovery Infrastructure Program – Destination Development funding recipients

1.5.2: The ministry established a system for obtaining complete and quality information and reports from the Community Economic Recovery Infrastructure Program – Destination Development funding recipients

1.5.3: The ministry established a process to address situations where the Community Economic Recovery Infrastructure Program – Destination Development funding recipients were not meeting the funding requirements

Line of enquiry 2: Program Administration

Criteria

2.1: The ministry followed the selection process it established for evaluating the Community Economic Recovery Infrastructure Program – Destination Development funding applications

2.1.1: The ministry screened and evaluated the Community Economic Recovery Infrastructure Program – Destination Development applications according to the same criteria in the technical assessment template

2.1.2: The ministry documented the rationale behind its screening and evaluation decisions

2.1.3: The ministry followed the defined review and sign-off process for the evaluation of applications

2.2:   The ministry ensured all successful applicants met the evaluation process requirements

2.3:   The ministry established agreements with successful applicants that aligned with the *Core Policy and Procedures Manual.*

   2.3.1:   The ministry established formal written agreements with the Community Economic Recovery Infrastructure Program – Destination Development funding recipients that clearly identified the terms and stipulations of the funding

   2.3.2:   The ministry sought advice from legal counsel in developing their written agreements

   2.3.3:   The ministry recorded the Community Economic Recovery Infrastructure Program – Destination Development funding accurately

2.4:   The ministry conducted due diligence to ensure that successful funding recipients had sufficient capacity to meet the Community Economic Recovery Infrastructure Program – Destination Development program objectives

Line of enquiry 3: Program Monitoring

Criteria

3.1:   The ministry followed the defined monitoring and reporting process.

3.2:   The ministry took action to address situations where Community Economic Recovery Infrastructure Program – Destination Development funding recipients were not meeting the funding requirements.

Office of the
Auditor General
of British Columbia

Audit team

Laura Hatt
Assistant Auditor General

Daria Babaie
Director

Ruwa Mgodi
Manager

Alexander Gunn
Manager

Maxwell Edwards
Manager

Julianne King
Performance Auditor

Cover: Goose Lake recreation site
Source: BC Fishing Tourism Association and
B.C. Ministry of Tourism, Arts, Culture and Sport

Location

623 Fort St.
Victoria, B.C.
V8W 1G1

Office hours

Monday to Friday
8:30 a.m. – 4:30 p.m.

Telephone: 250 419.6100
Toll-free through Enquiry BC: 1 800 663.7867
In Vancouver: 604 660.2421

Email: bcauditor@bcauditor.com

This report and others are available on our website, which also contains further information about the office.

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