

City of London - Internal Audit

Community Arts Investment Program Value for Money (“VfM”) Audit

Final Report – November 2, 2023

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1.0 BACKGROUND

The City of London (“City”) is a municipality with a population of 439,500 as of 2023 and it provides various community support services to its residents including neighborhood support programs, infrastructure services, recreational amenities and cultural organizations and programming. As a municipality, the City is continually attempting to improve its operating efficiency, effectiveness, and transparency for the benefit of its residents.

The Community Arts Investment Program (“CAIP” or “Program”) is a City program that provides funding to non-profit arts organizations or artists within the London arts community to help encourage public awareness and appreciation of the arts, increase access to quality local arts programming and enhance London’s desirability as a community. The program is funded by the City and administered and managed by a third party, the London Arts Council (“LAC”).

With this awareness and in accordance with the City’s FY2023 internal audit plan, a value for money (“VfM”) audit of the CAIP was performed to assess the Program through the lens of economy, efficiency, and effectiveness in order to help identify opportunities to help optimize the value delivered.

2.0 OBJECTIVE

To review the design and operating effectiveness of key controls pertaining to the CAIP including grant application submission, evaluation, and approvals, as well as return on investment (measuring outputs and outcomes) and identify opportunities to optimize the Program, where practical.

3.0 SCOPE

The audit followed a structured approach to review the CAIP. The scope included the following:

1. Review of existing governance structures and roles and responsibilities for the CAIP at the City and LAC.
2. Review existing City policies and guidelines, and LAC process documentation, templates and procedures that are currently being used to support the administration of the CAIP.
3. Evaluate key controls regarding grant application submission, evaluation, approval, and allocation of funding to successful applicants.
4. Evaluate the effectiveness and completeness of the criteria utilized by community review panels to evaluate grant applications for the CAIP.
5. Review measures used to determine the outcomes of a given grant and identify opportunities for improvement.

4.0 RISKS

Given the stated objective, several inherent¹ risks were considered in the planning of this audit which included:

- Appropriate governance structures and roles and responsibilities have not been established leading to ineffective oversight and management of the CAIP;
- Policies and procedures are not documented or are not sufficient leading to inconsistent execution of key processes and loss of institutional knowledge should key team members leave or are unavailable for a period of time;
- Key controls pertaining to the CAIP do not exist or are not operating effectively leading to a reduction of economy, efficiency, and effectiveness of the program and mismanagement of budgetary funds;
- Criteria utilized to evaluate grant applications is not sufficient or complete leading to an inaccurate conclusion; and,
- Evaluation regarding the outcomes of a given grant is not conducted or is insufficient resulting in the City being unable to determine the success of approved grant applications.

5.0 APPROACH

In accordance with MNP's Internal Audit methodology, the high-level work plan for the audit included the following phases:



¹ The risk derived from the environment without the mitigating effects of internal controls; Institute of Internal Auditors

6.0 STRENGTHS

During the course of this audit, a number of strengths pertaining to the CAIP were identified as described in the table below.

<p>Experienced and Knowledgeable CAIP Personnel</p>	<p>Key personnel directly involved in the CAIP at the LAC and City have strong expertise and experience in operating and managing the Program. Furthermore, due to the long service tenure of these individuals in supporting the Program, there is a high level of institutional knowledge which serves the administration of the Program well. These individuals include the Executive Director (LAC), Officer of Development and Investments (LAC) and Manager of Culture Services (City).</p>
<p>Annual CAIP Report</p>	<p>On an annual basis, the LAC provides the City a robust report which provides a comprehensive overview of the Program and its results for the most recent Program cycle. The 2022 report included the activities and investment results of the 2022 CAIP regarding CAIP Arts Funding Streams, Artist in Residence Stream, London Arts Live (“LAL”) and provided additional details such as community feedback. This report keeps the City informed and aware of the Program results and its utilization of public funds.</p>
<p>Assessors Guide</p>	<p>CAIP applications are reviewed by the CAIP Assessment Panel which consists of independent and volunteer assessors that advise on priority funding areas, assess submissions, and make recommendations on the awarding of investments. Each assessor is provided with an extensive and detailed “Assessors Guide” which provides guidance to each assessor regarding the following:</p> <ul style="list-style-type: none"> • Assessment Process; • Roles and Responsibilities of Assessors; • Responsibilities of Administration; • Policies on Release of Assessors; • Conflict of Interest; • Confidentiality; • Human Rights; and, • Freedom of Expression Policy.
<p>Successful Applicant’s Investment Report</p>	<p>Each successful applicant is required to submit an investment report to help assess and determine the outputs and outcomes of a given grant. Information provided within the report may include details regarding:</p> <ul style="list-style-type: none"> • Reconciled budget; • Recipients challenges and achievements; • Impact on artist development and community; • Community involvement/attendees and related metrics; • Advertisements, marketing & promotion tools used; and, • Media coverage.

7.0 SUMMARY OF OBSERVATIONS

As reviewed and tested during the audit, CAIP adheres to established tasks and procedures from application receipt to submission of an investment report. The parties involved in the direct administration of the CAIP possess strong experience, expertise, and institutional knowledge of the CAIP, having been directly involved in the administration of this Program for several years. In addition, MNP found that there are various established processes in place to support the effective administration and management of the CAIP. These processes include the creation of the annual CAIP report, the use of an assessors guide and the applicant's submission of an investment report.

However, some opportunities for improvement were identified during the conduct of the audit, including documenting the confirmation of an assessor's conflict of interest check or declaration, documentation of assessor selection approvals and key CAIP processes, utilization of applicant and assessor surveys and paid advertisements, opportunities to enhance the LAL Program and consideration of internal or in-house administration and management of the CAIP.

The following table presents a summary of observations identified, recommendations, and their respective risk rating based on the rating scale identified in **Appendix A**. These observations and recommendations were discussed with City management responsible for the respective control area. Management has agreed with the observations and provided action plans to address the recommendations. A full list of the observations identified, and the detailed associated recommendations and management action plans are included in **Section 8.0** of this report.

Ref	Summary of Observations	H	M	L
1	<p><u>Assessor Conflict of Interest Check/Declaration</u></p> <p>It was noted that the assessor conflict of interest check or declaration is performed verbally, and confirmation evidence of an assessor’s self assessment is not documented.</p> <p>Without the documentation of conflict-of-interest checks/declarations, there is a risk that it may not be performed, or results are not always appropriately escalated. The occurrence of a conflict of interest can result in a loss of public and internal trust and reputational, financial, and legal risks.</p>			
2	<p><u>Assessor Selection Approvals</u></p> <p>CAIP applications are reviewed by the CAIP Assessment Panel which consists of independent and volunteer assessors that advise on priority funding areas, assess submissions, and make recommendations on the awarding of investments. Proposed assessors are approved by the Officer of Development and Investments and the Executive Director prior to being selected. However, it was noted that these approvals are not consistently documented and may be provided verbally.</p> <p>Without the documentation of approvals, there is a risk that approvals from appropriate parties will not be consistently obtained and/or documented. This can result in noncompliance with established internal processes.</p>			
3	<p><u>Applicant, Recipient and Assessor Feedback</u></p> <p>MNP noted that standardized and physical applicant and assessor surveys are not conducted annually to obtain feedback regarding their participation with the CAIP and to help identify opportunities for improvement.</p> <p>Without appropriate collection and use of applicant, recipient and assessor feedback, there is limited ability to enhance CAIP processes, resulting in a potential increase in applicant and assessor disengagement.</p>			

Ref	Summary of Observations	H	M	L
4	<p><u>London Arts Live (“LAL”) Program</u></p> <p>The LAL pop-up and performance-based temporary art activation program provides high-quality arts activations of diverse artistic forms within various public spaces around the City while strategically leveraging funding from other programs including CAIP.</p> <p>It was noted that a conflict of interest check or declaration, regarding the assessors, is not performed prior to the artist assessment. Moreover, an assessment or scoring template is not utilized to provide guidance and/or document an assessor’s overall rating and instead, each assessor provides a verbal rating out of five (“5”). Furthermore, overall assessment conclusion or decision of each artist is not documented and is instead, discussed verbally during a meeting.</p> <p>In addition, it was noted that the success or outcomes of an artist’s performance is not measured. It is acknowledged that staff member(s) from the LAC attend the event and have an informal meeting with the venue’s owner to discuss the event and its success.</p> <p>The occurrence of an assessor conflict of interest can compromise an assessor’s judgement when assessing an artist’s audition due to personal bias.</p> <p>Without the documentation of approvals and/or ratings, there is a risk that approvals and/or ratings from appropriate parties will not be consistently obtained and/or documented. This can result in noncompliance with established internal processes.</p>			
5	<p><u>Opportunity to Utilize Paid Advertisements</u></p> <p>The LAC primarily utilizes social media, LAC website and community information sessions to advertise the CAIP to relevant or key members. However, MNP noted that paid advertisements are not conducted to help promote and expand the reach of the CAIP as social media, LAC website, and community information sessions can have a limited/niche reach.</p> <p>When marketing efforts are not maximized, it negatively impacts an organization’s ability to increase member engagement and retention.</p>			

Ref	Summary of Observations	H	M	L
6	<p><u>Documentation of Key CAIP Processes</u></p> <p>There is an opportunity to enhance the existing suite of CAIP guidance by including the following key processes and procedures:</p> <ul style="list-style-type: none"> • Process for developing and approving the annual CAIP communications Plan including timeline; and, • Assessor selection and approval process for the London Arts Live (“LAL”) program. <p>Without the documentation of key CAIP processes, there is a risk that processes will not be executed in an expected and consistent manner. In addition, there could be a loss of institutional knowledge should key team members leave the organization or be unavailable for a period of time.</p>			
7	<p><u>Administration and Management of CAIP</u></p> <p>It was noted that while the CAIP is administered and managed by a third party, the City has the ultimate accountability of ensuring the successful delivery of this program and utilization of public funds. There is an opportunity for the City to consider internal or in-house administration and management of the program.</p> <p>The City may expose itself to avoidable liabilities that would normally be mitigated with the use of internal resources and established internal processes or operation and the City may not be saving funds by utilizing an external party vs administering the Program in-house.</p>			

7.1 ACKNOWLEDGEMENT OF COOPERATION AND EFFORTS

Internal Audit would like to express our appreciation for the cooperation and efforts made by City and LAC personnel who manage and administer the Program. Their contributions assisted in ensuring a successful engagement.

7.2 LIMITATIONS AND RESTRICTIONS

This report is intended solely for the information and use of the City of London and should not be distributed to third parties without MNP’s prior written consent. Any use that a third party makes of this report, and any reliance or decisions made based on it, are the responsibility of such third party. MNP accepts no liability or responsibility for any loss or damages suffered by any third party as a result of decisions made or actions taken based on this report.

8.0 DETAILED OBSERVATIONS AND RECOMMENDATIONS

#	Observation	Priority	Recommendation	Management Response
1	<p><u>Assessor Conflict of Interest Check/Declaration</u></p> <p>Each assessor is provided with a listing of applicants to help self-assess and declare potential conflicts of interest. Any occurrence of an assessor’s conflict of interest is declared to the Officer of Development and Investments and the assessor is then recused from reviewing and assessing the related application. However, it was noted that the assessor conflict of interest check or declaration is performed verbally, and confirmation evidence of an assessor’s self assessment is not documented.</p> <p>It is acknowledged that the LAC will be combining the Confidentiality and Non-Disclosure Agreement (“NDA”) Form and the CAIP Assessors Guide, which includes guidance regarding conflicts of interest, to help document conflict of interest checks/declarations for the 2024 CAIP.</p> <p>However, without the documentation of conflict-of-interest checks/declarations, there is a risk that this task may not be performed, or results escalated. The non occurrence of a conflict of interest can result in a loss of public and internal trust and lead to other liabilities arising.</p>	Medium	Confirmation of an assessor’s conflict of interest check or declaration should be documented and retained.	<p>Action Plan:</p> <p>The LAC 2024 – 2028 Multi-Year Purchase of Service Agreement with the City of London will address this CAIP requirement.</p> <p>LAC will implement this recommendation for the 2024 grants process.</p> <p>Accountability:</p> <p>Neighbourhood and Community Wide Services (NCWS) (Culture Services)</p> <p>London Arts Council</p> <p>Timeline:</p> <p>Q1 2024</p>

#	Observation	Priority	Recommendation	Management Response
2	<p><u>Assessor Selection Approvals</u></p> <p>CAIP applications are reviewed by the CAIP Assessment Panel which consists of independent and volunteer assessors that advise on priority funding areas, assess submissions, and make recommendations on the awarding of investments. The LAC keeps an active roster of assessors and potential new assessors can submit an “Assessor Expression of Interest Form” to display their interest for being an assessor. In addition, potential new assessors can be recommended by Board members, community members, previous assessors, and artists. Proposed assessors are approved by the Officer of Development and Investments and the Executive Director prior to being selected. However, it was noted that these approvals are not consistently documented and may be provided verbally.</p> <p>Without the documentation of approvals, there is a risk that approvals from appropriate parties will not be consistently obtained and/or documented. This can result in noncompliance with established internal processes.</p>	Low	Assessor approvals should be documented prior to their selection. These approvals may be documented within a checklist or via email.	<p>Action Plan:</p> <p>The LAC 2024 – 2028 Multi-Year Purchase of Service Agreement with the City of London will address this CAIP requirement.</p> <p>LAC will implement this recommendation for the 2024 grants process.</p> <p>Accountability:</p> <p>NCWS (Culture Services)</p> <p>London Arts Council</p> <p>Timeline:</p> <p>Q1 2024</p>
3	<p><u>Applicant, Recipient and Assessor Feedback</u></p>	Low	Standardized and physical recipient and assessor surveys should be conducted annually to obtain	<p>Action Plan:</p>

#	Observation	Priority	Recommendation	Management Response
	<p>MNP noted that standardized and physical applicant and assessor surveys are not conducted annually to obtain feedback regarding their participation with the CAIP and to help identify opportunities for improvement.</p> <p>It is acknowledged that at the conclusion of each assessment panel meeting, fifteen (“15”) minutes are dedicated to assessor feedback of the process and each applicant can provide their feedback to the Officer of Development, and Investments, if requested. It is also acknowledged that the LAC is in discussions for releasing an applicant survey for the 2024 CAIP.</p> <p>Without appropriate collection and use of applicant and assessor feedback, opportunities to enhance CAIP processes are restricted, resulting in a potential increase in applicant and assessor disengagement.</p>		<p>feedback regarding their participation with the CAIP and to help identify opportunities for improvement. The surveys may ask questions regarding the following:</p> <ul style="list-style-type: none"> • Process satisfaction; • Process improvement opportunities; • Likelihood of involvement with the CAIP again and of a referral; • How they heard about the CAIP. 	<p>The LAC 2024 – 2028 Multi-Year Purchase of Service Agreement with the City of London will address this CAIP requirement.</p> <p>LAC will implement this recommendation for the 2024 grants process.</p> <p>Accountability: NCWS (Culture Services) London Arts Council</p> <p>Timeline: Q4 2024</p>
4	<p><u>London Arts Live (“LAL”) Program</u></p> <p>The LAL pop-up and performance-based temporary art activation program provides high-quality arts activations of diverse artistic forms within various public spaces around the City while strategically leveraging funding from other programs including CAIP. Three (“3”) artist assessors are selected by the Curator of Public Programs and Learning to evaluate the live artist auditions.</p> <p>It was noted that a conflict of interest check or declaration, regarding the assessors, is not performed prior to the</p>	Low	<p>MNP recommends the following:</p> <ul style="list-style-type: none"> • Conflict of interest check or declaration, regarding assessors, should be performed and documented prior to the artist assessment; • An assessment or scoring template should be developed and utilized to provide guidance and to document an assessor’s overall feedback rating; 	<p>Action Plan:</p> <p>The LAC 2024 – 2028 Multi-Year Purchase of Service Agreement with the City of London will address this CAIP requirement.</p> <p>LAC will implement this recommendation</p>

#	Observation	Priority	Recommendation	Management Response
	<p>artist assessment. Moreover, an assessment or scoring template is not utilized to provide guidance and/or document an assessor's overall rating and instead, each assessor provides a verbal rating out of five ("5"). Furthermore, overall assessment conclusion or decision of each artist is not documented and is instead, discussed verbally during a meeting.</p> <p>While it was noted that the success or outcomes of an artist's performance is not measured, it is acknowledged that staff member(s) from the LAC attend the event and have an informal meeting with the venue's owner to discuss the event and its success.</p> <p>It is also acknowledged that the LAL Program is not a granting program, and the aim of the program is to provide a barrier-free and inclusive access to applicants, and to encourage the maximum amount of interested members to enter into the Program, as possible. It is also acknowledged that LAL Program utilizes a small portion of the overall CAIP budget (\$42,098 out of the overall 2022 CAIP budget of \$750,000 was utilized by the 2022 LAL Program) and the dollar value usually provided per applicant is relatively low.</p> <p>The non occurrence of an assessor conflict of interest can compromise an assessor's judgement when assessing an artist's audition due to personal bias.</p> <p>Without the requirement to document approvals and/or performance ratings, there is a risk that approvals and/or ratings from appropriate parties will not be consistently</p>		<ul style="list-style-type: none"> • Overall assessment conclusion or decision of each artist should be documented; and, • The success or outcomes of an artist's performance should be measured and documented, where possible. 	<p>for the 2024 London Arts Live process.</p> <p>Accountability: NCWS (Culture Services) London Arts Council</p> <p>Timeline: Q2 2024</p>

#	Observation	Priority	Recommendation	Management Response
	<p>obtained and/or documented. This can result in noncompliance with established internal processes and can make it difficult to standardize performance ratings.</p>			
<p>5</p>	<p><u>Opportunity to Utilize Paid Advertisements</u></p> <p>The LAC primarily utilizes social media, LAC website and community information sessions to advertise the CAIP to relevant or key members. However, it was noted that paid advertisements are not conducted to help promote and expand the reach of the CAIP as social media, LAC website, and community information sessions can have a limited/niche reach.</p> <p>It is acknowledged that traditional media outlets may not be the media of choice for LAC’s relevant or key members and LAC must conform to budgetary parameters.</p> <p>However, when marketing efforts are not maximized, it can negatively impact an organization’s ability to increase engagement and retention.</p>	<p>Low</p>	<p>The utilization of paid advertisements across different mediums should be considered to help promote and expand the reach of the CAIP.</p>	<p>Action Plan:</p> <p>The LAC 2024 – 2028 Multi-Year Purchase of Service Agreement with the City of London will address this CAIP requirement.</p> <p>LAC will implement this recommendation for the 2024 grants process.</p> <p>Accountability:</p> <p>NCWS (Culture Services)</p> <p>London Arts Council</p> <p>Timeline:</p> <p>Q1 2024</p>
<p>6</p>	<p><u>Documentation of Key CAIP Processes</u></p> <p>The LAC utilizes various guidance and informative materials to support the administration of established CAIP processes. However, there is an opportunity to</p>	<p>Low</p>	<p>All key processes should be documented within a procedural manual and should outline the detailed steps of each process and the responsibilities of staff. This information should be communicated and accessible to relevant staff.</p>	<p>Action Plan:</p> <p>The LAC 2024 – 2028 Multi-Year Purchase of Service Agreement with the City of London will address</p>

#	Observation	Priority	Recommendation	Management Response
	<p>enhance the existing suite of CAIP guidance by including the following key processes and procedures:</p> <ul style="list-style-type: none"> • Process for developing and approving the annual CAIP communications plan including timeline; and, • Assessor selection and approval process for the London Arts Live (“LAL”) program. <p>Furthermore, MNP noted that while these processes may not be formally documented, they are well understood by those involved in the process.</p> <p>Without the documentation of key CAIP processes, there is a risk that processes will not be executed in an expected and consistent manner. In addition, there could be a loss of institutional knowledge should key team members leave the organization or be unavailable for a period of time.</p>			<p>this CAIP requirement.</p> <p>LAC will implement this recommendation for the 2024 CAIP granting process.</p> <p>Accountability: NCWS (Culture Services) London Arts Council</p> <p>Timeline: Q1 2024</p>
7	<p><u>Administration and Management of CAIP</u></p> <p>The CAIP is a City program that is funded by the City and administered and managed by a third party, the LAC through a Multi-year Purchase of Service Agreement with the City of London in accordance with the City of London</p>	Low	<p>The City should consider performing a cost/benefit analysis of internal and/or 3rd party management and administration value opportunities such as: financial cost savings of administration, leveraging additional funds, development of specific sector expertise, and complaint resolution processes to protect the City.</p>	<p>Action Plan:</p> <p>Neighbourhood and Community-Wide Services to hire an external consultant to undertake a cost/benefit analysis</p>

#	Observation	Priority	Recommendation	Management Response
	<p>Community Arts Investment Program Council approved Policy.</p> <p>As reviewed and tested during the audit, CAIP adheres to established tasks and procedures from application receipt to submission of an investment report. The parties involved in the direct administration of the CAIP possess strong experience, expertise, and institutional knowledge of the CAIP, having been directly involved in the administration of this Program for several years. In addition, it was noted that there are various established processes in place to support the effective administration and management of the CAIP.</p> <p>It was noted that while this Program is administered and managed by a third party, the City has the ultimate accountability of ensuring the successful delivery of this Program and utilization of public funds. There is an opportunity for the City to consider the internal or in-house administration and management of the CAIP.</p> <p>The City may expose itself to avoidable liabilities that would normally be mitigated with the use of internal resources and established internal processes or operation and the City may not be saving funds by utilizing an external party vs administering the Program in-house.</p>			<p>of the current program.</p> <p>Accountability: Neighbourhood and Community-Wide Services.</p> <p>Timeline: Q4 2025 (to be completed prior to the multi-year purchase of service renewal in 2028).</p>

APPENDIX A – RATING SCALE

The findings outlined in this report have been assessed based on a rating scale defined in the table below:

Rating	Description
Low	The finding is not critical but should be addressed in the longer term to improve either internal controls, efficiency of the process, or mitigate a minor risk.
Medium	The finding represents a control weakness or risk that could have or is having an adverse effect on the ability to achieve process objectives and/or a significant impact to the City's residents. The finding requires Management action within the short-to-intermediate term.
High	The finding represents a significant control weakness or risk that could have or is having a major adverse effect on the ability to achieve process objectives and/or a material impact to the City's residents. The finding requires immediate Management action.

APPENDIX B – REPORT DISTRIBUTION LIST

This report was distributed to the following parties:

City of London	
To:	
Audit Committee	
Cheryl Smith, Deputy City Manager, Neighbourhood and Community-Wide Services	
Robin Armistead, Manager, Culture Services	
MNP LLP	
Geoff Rodrigues, Engagement Partner	
Cliff Trollope, Quality Assurance Partner	
Deepak Jaswal, Engagement Leader and VfM Specialist	
Osman Qureshi, Senior Auditor	