

City of London - Internal Audit

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

Final Report – November 1, 2023

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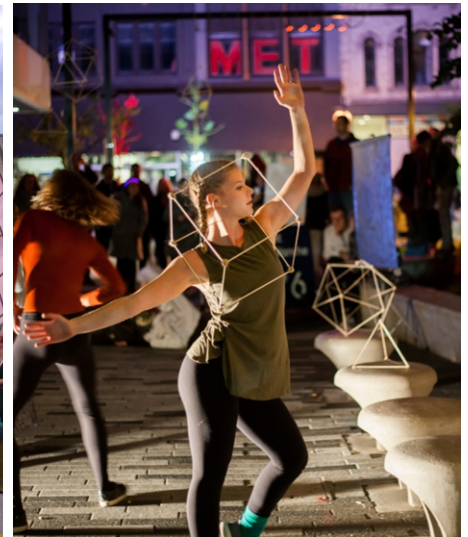




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1.0 BACKGROUND

The City of London (“City”) is a municipality with a population of 439,500 in 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 Heritage Investment Program (“CHIP” or “Program”) is a City Program that provides funding to museums, heritage organizations and professionals within the City to help support workforce development, professional development, and job creation within the museum and heritage sector, encourage public awareness and appreciation of London’s heritage and cultural heritage sector, increase access to quality local heritage and cultural heritage activities, enhance London’s desirability as a community and more. The Program is funded by the City and administered and managed by a third party, the London Heritage Council (“LHC”).

With this awareness and in accordance with the City’s FY2023 internal audit plan, a value for money (“VfM”) audit of the CHIP 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 CHIP 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 CHIP. The scope included the following:

1. Review of existing governance structures and roles and responsibilities for the CHIP at the City and LHC.
2. Review existing City policies and guidelines, and LHC process documentation, templates and procedures that are currently being used to support the administration of the CHIP.
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 CHIP.
5. Review measures used to determine the outcomes of a given grant and identify opportunities for improvement.

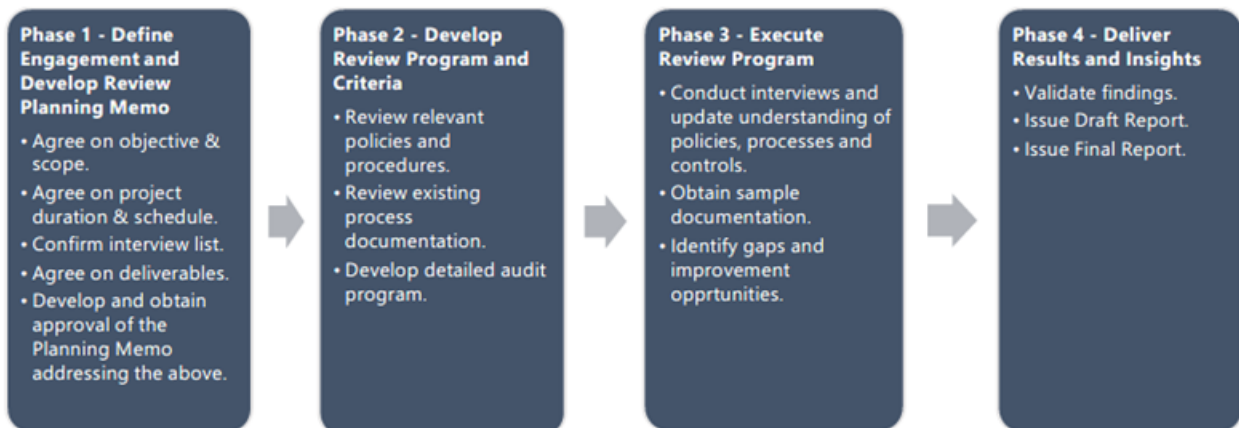
4.0 RISKS

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 CHIP;
- 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 CHIP 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 CHIP were identified as described in the table below.

<p>Experienced and Knowledgeable CHIP Personnel</p>	<p>Key personnel directly involved in the CHIP at the LHC 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 (LHC), Operations Manager (LHC) and Manager of Culture Services (City).</p>
<p>Annual CHIP Report</p>	<p>On an annual basis, the LHC 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 provided a detailed overview regarding the CHIP and its results, LHC’s online presence and other key reporting items. This report keeps the City informed and aware of the Program results and its utilization of public funds.</p>
<p>Assessor Surveys</p>	<p>Each year the LHC conducts an assessor survey to obtain an assessor’s feedback regarding the application assessment process. This survey is an important information gathering tool and helps to ensure that the application assessment process continuously improves each year.</p>
<p>Successful Applicant’s Grant Report</p>	<p>Each successful applicant is required to submit a grant 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; • Recipient timeline and activities; • Recipient’s challenges and achievements; • Recipient objectives and outcomes; • Overall impact of the funding; and, • Community involvement/attendees and related metrics.

7.0 SUMMARY OF OBSERVATIONS

As reviewed and tested during the audit, CHIP adheres to established tasks and procedures from application receipt to submission of a grant report. The parties involved in the direct administration of the CHIP possess strong experience, expertise, and institutional knowledge of the CHIP, 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 CHIP. These processes include the creation of the annual CHIP report, the use of an assessor survey and the applicant's submission of a grant 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, consolidation and documentation of key CHIP processes, utilization of a method for interested stakeholders to express and submit their interest in becoming an assessor, documentation of assessor selection approvals, utilization of applicant surveys and paid advertisements and consideration of internal or in-house administration and management of the CHIP.

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 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>Consolidation and Documentation of Key CHIP Processes</u></p> <p>The Guidelines for CHIP that provide a detailed overview of the Program have been approved by Council and are an attachment to the LHC Multi-year Purchase of Service Agreement. There is an opportunity to enhance the existing suite of CHIP guidance by including the following key processes and procedures into a comprehensive policy and procedure manual for the CHIP granting program. This manual should include the following:</p> <ul style="list-style-type: none"> • Funds transfer process including approvals needed prior to disbursement; • The following key Evaluation Committee processes: <ul style="list-style-type: none"> ○ Member selection and approval process; ○ Conflict of interest check/declaration and confidentiality agreement processes; ○ Process for documenting the Evaluation Committee discussion and conclusion; ○ Process for creating and approving the annual report that is submitted to the City of London annually as required in the current Purchase of Service Agreement; and, ○ Process for developing and approving the annual CHIP communications plan. <p>Without the documentation of key CHIP 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>			

Ref	Summary of Observations	H	M	L
3	<p><u>Assessor Selection</u></p> <p>It was noted that there is no method for interested stakeholders to express and submit their interest in becoming an assessor and instead, potential assessors are only selected based on referrals or prior relationships.</p> <p>Furthermore, proposed assessors are approved by the Operations Officer and the Fund Development Officer prior to being selected. However, it was noted that these approvals are not consistently documented and may be provided verbally.</p> <p>There is a risk that the LHC is not utilizing the most qualified assessors for the assessment of CHIP applications and without the documentation of approvals, there is a risk that approvals from appropriate parties will not be consistently obtained. This can result in non-compliance with established internal processes.</p>			
4	<p><u>Applicant, Recipient and Assessor Feedback</u></p> <p>MNP noted that standardized and physical applicant surveys are not conducted annually to obtain feedback regarding their participation with the CHIP 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 CHIP processes, resulting in a potential increase in applicant and assessor disengagement.</p>			
5	<p><u>Opportunity to Utilize Paid Advertisements</u></p> <p>It was noted that paid advertisements are not conducted to help promote and expand the reach of the CHIP as social media and LHC website can have a limited/niche reach.</p> <p>When marketing efforts are not maximized, it limits an organization’s ability to increase member engagement and retention.</p>			
6	<p><u>Administration and Management of CHIP</u></p> <p>It was noted that while the CHIP is administered and managed by a third party, the City has ultimate accountability of ensuring the successful delivery of this Program and utilization of public funds. There is an opportunity for the City to consider 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 LHC 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>It was noted that an assessor conflict of interest check or declaration is performed verbally, and evidence of an assessor’s self assessment is not documented.</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 LHC 2024 – 2028 Multi-Year Purchase of Service Agreement with the City of London will address this CHIP requirement.</p> <p>LHC will implement this recommendation for the 2024 grant process.</p> <p>Accountability:</p> <p>Neighbourhood and Community Wide Services (NCWS) (Culture Services)</p> <p>London Heritage Council</p> <p>Timeline:</p> <p>Q2 2024</p>
2	<p><u>Consolidation and Documentation of Key CHIP Processes</u></p> <p>Guidelines that provide a detailed overview of the Program have been approved by Council and are an attachment to the LHC Multi-year Purchase of Service Agreement. The LHC also utilizes various guidance and</p>	Medium	An overarching policy and procedure manual for the CHIP granting program outlining the end-to-end process of the CHIP should be developed. This policy should outline the key roles and responsibilities of each key stakeholder.	<p>Action Plan:</p> <p>The LHC 2024 – 2028 Multi-Year Purchase of Service Agreement with the City of London will address this CHIP requirement.</p>

#	Observation	Priority	Recommendation	Management Response
	<p>informative materials to support the administration of the established CHIP processes.</p> <p>There is an opportunity to enhance the existing suite of CHIP guidance by including the following key processes and procedures into a comprehensive policy and procedure manual for the CHIP granting program. This manual should include the following:</p> <ul style="list-style-type: none"> • Funds transfer process including approvals needed prior to disbursement; • The following key Evaluation Committee processes: <ul style="list-style-type: none"> ○ Member selection and approval process; ○ Conflict of interest check/declaration and confidentiality agreement processes; ○ Process for documenting the Evaluation Committee discussion and conclusion; ○ Process for creating and approving the annual report that is submitted to the City of London annually as required in the current Purchase of Service Agreement; and, ○ Process for developing and approving the annual CHIP communications plan. <p>Furthermore, it was 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 CHIP 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</p>		<p>Key processes should be documented within a CHIP policy and procedure 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>A 'version control' section should be included within the policy and procedure manual. This section should cover the following information:</p> <ul style="list-style-type: none"> • Owner; • Approver; • Date of approval; • Date issued; • Date effective; • Date of last change; • Description/rationale of changes; • Frequency of Review (e.g., annually, biennially); and, • Date of next review. 	<p>LHC will implement this recommendation for the 2024 grant process.</p> <p>Accountability:</p> <p>NCWS (Culture Services) London Heritage Council</p> <p>Timeline:</p> <p>Q2 2024</p> <p>The CHIP Policy and Procedure Manual will be developed for the 2024 CHIP process.</p>

#	Observation	Priority	Recommendation	Management Response
	members leave the organization or be unavailable for a period of time.			
3	<p><u>Assessor Selection</u></p> <p>CHIP applications are reviewed by the Evaluation Committee which consists of independent and volunteer assessors that advise on priority funding areas, assess submissions, and make recommendations on the awarding of investments. It was noted that there is no method for interested stakeholders to express and submit their interest in becoming an assessor and instead, potential assessors are only selected based on referrals or prior relationships.</p> <p>Moreover, proposed assessors are approved by the Operations Officer and the Fund Development Officer prior to being selected. However, it was noted that these approvals are not consistently documented and may be provided verbally.</p> <p>There is a risk that the LHC is not utilizing the most qualified assessors for the assessment of CHIP applications.</p> <p>Without the requirement to document approvals, there is a risk that approvals from appropriate parties will not be consistently obtained. This can result in noncompliance with established internal processes.</p>	Low	<p>A clear method for interested stakeholders to express and submit their interest in becoming an assessor should be established. One possible method would be via a submission of an online form.</p> <p>In addition, assessor approvals should be documented prior to their selection. These approvals may be documented within a checklist or via email.</p>	<p>Action Plan:</p> <p>LHC 2024 – 2028 Multi-Year Purchase of Service Agreement with the City of London will address this CHIP requirement.</p> <p>LHC will implement this recommendation for the 2024 grant process.</p> <p>Accountability:</p> <p>NCWS (Culture Services)</p> <p>London Heritage Council</p> <p>Timeline:</p> <p>Q2 2024</p>
4	<p><u>Applicant, Recipient and Assessor Feedback</u></p>	Low	Standardized and physical recipient surveys should be conducted annually to obtain feedback regarding their participation with the CHIP and to	<p>Action Plan:</p>

#	Observation	Priority	Recommendation	Management Response
	<p>MNP noted that standardized and physical applicant surveys are not conducted annually to obtain feedback regarding their participation with the CHIP and to help identify opportunities for improvement.</p> <p>It is acknowledged that each unsuccessful applicant can provide their verbal feedback to the Fund Development Officer, if requested.</p> <p>Without appropriate collection and use of applicant, recipient and assessor feedback, there are restricted opportunities to enhance CHIP processes, resulting in a potential increase in applicant and assessor disengagement.</p>		<p>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 CHIP again and of a referral; • How they heard about the CHIP. 	<p>LHC 2024 – 2028 Multi-Year Purchase of Service Agreement with the City of London will address this CHIP requirement.</p> <p>LHC will implement this recommendation for the 2024 grant process.</p> <p>Accountability: NCWS (Culture Services) London Heritage Council</p> <p>Timeline: Q4 2024</p>
5	<p><u>Opportunity to Utilize Paid Advertisements</u></p> <p>The LHC utilizes social media and LHC website to advertise the CHIP to relevant or key members. However, MNP noted that paid advertisements are not conducted to help promote and expand the reach of the CHIP as social media and LHC website can have a limited/niche reach.</p> <p>It is acknowledged that traditional media outlets may not be the media of choice for LHC’s relevant or key members and LHC must conform to budget parameters.</p>	Low	<p>The utilization of paid advertisements should be considered to help promote and expand the reach of the CHIP.</p>	<p>Action Plan:</p> <p>LHC 2024 – 2028 Multi-Year Purchase of Service Agreement with the City of London will address this CHIP requirement.</p> <p>LHC will implement this recommendation for the 2024 grant process.</p> <p>Accountability:</p>

#	Observation	Priority	Recommendation	Management Response
	<p>When marketing efforts are not maximized, it negatively impacts an organization’s ability to increase member engagement and retention.</p>			<p>NCWS (Culture Services) London Heritage Council Timeline: Q1 2024</p>
6	<p><u>Administration and Management of CHIP</u></p> <p>The CHIP is a City Program that is funded by the City and administered and managed by a third party, the LHC through a Multi-year Purchase of Service Agreement with the City of London that includes CHIP Guidelines.</p> <p>It was noted that while this City 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 in-house administration and management of the Program to determine if cost and operational efficiencies can be obtained.</p> <p>There is a risk that the City may expose itself to avoidable liabilities that would normally be mitigated with the use of internal resources and established internal processes and the City may not be saving funds or gaining operational efficiencies by utilizing an external party vs administering the Program in-house.</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 of the current program.</p> <p>Accountability:</p> <p>Neighbourhood and Community-Wide Services</p> <p>Timeline:</p> <p>Q4 2025</p> <p>(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