



**Office of the Auditor General
Prince Edward Island**

Independent Assurance Report

Grant Funding to Non-Government Organizations

January 2025



Prince Edward Island

Office of the
Auditor General

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Honourable Speaker and
Members of the Legislative Assembly
Province of Prince Edward Island

I have the honour of presenting this Report – Grant Funding to Non-Government Organizations.

Respectfully submitted,

Darren Noonan, CPA, CA
Auditor General

Charlottetown, Prince Edward Island
January 9, 2025

Grant Funding to Non-Government Organizations - Highlights

Why we did this audit

- Non-government organizations (NGOs) often support many government functions including early childhood development, healthcare, and social services. NGOs are organizations that do not form part of the public sector; however, some rely heavily on government grants along with charitable contributions for their revenue.
- Government is responsible for taking appropriate measures to ensure that grant funding provided to NGOs is used as intended, especially given the important services many of these NGOs provide to Islanders.
- During the five-year period ending March 31, 2023, the Province significantly increased the amount of operating grant funding provided to NGOs, from \$15.2M in 2019 to \$52.9M in 2023. After removing the \$20.7M in temporary funding related to Post-Tropical Storm Fiona response programs, the Department of Social Development and Seniors (the Department) disbursed \$21.5M of the remaining \$32.2M in grant payments to NGOs in fiscal 2023.

Objective

- To determine whether the Department of Social Development and Seniors appropriately approved, disbursed, and monitored grant funding payments to non-government organizations.

Conclusion

- The Department of Social Development and Seniors did not always appropriately approve, disburse, and monitor grant funding payments to non-government organizations throughout the scope of our audit.

Audit Scope Period: April 1, 2022 to March 31, 2023

What we found

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|--------------------------------|--|
| Grant Funding Approval Process | <ul style="list-style-type: none"> ○ The Department had a policy and procedures document to provide guidance for employees on the process for funding NGOs. However, the policy did not provide employees with any guidance on <ul style="list-style-type: none"> - how to document the review and approval of grant applications; - how to monitor and evaluate the NGO's use of the grant funding; and - what corrective action should be taken if expected results are not achieved. ○ The Department could not provide sufficient documentation to support each grant funding application in accordance with its policies and procedures document. ○ There was no documentation maintained by the Department to support that the information submitted by NGOs was assessed prior to the approval of their grant funding application. ○ The Department received Treasury Board approval before signing the grant funding agreements for each of the nine annual operating grants in our sample with values greater than \$100,000. ○ We found an instance where an initial disbursement was made to an NGO on a five-year, \$250,000 funding commitment approved by the Deputy Minister that did not have Treasury Board approval or a funding agreement. |
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RECOMMENDATIONS (paragraphs 21, 28, 32, 37 & 38)

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|----------------|---|
| Grant Payments | <ul style="list-style-type: none"> ○ The Department did not require all NGOs to submit financial and performance results as part of their grant funding agreements in accordance with applicable policies and best practices. ○ The terms of one grant funding agreement were not consistent with the Treasury Board approval. ○ We noted a few instances where payments were disbursed prior to grant funding agreements being signed and one instance where appropriate authorization of a payment was not obtained. |
|----------------|---|

RECOMMENDATIONS (paragraphs 46, 48, 52 & 53)

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|---------------------------------|---|
| Grant Monitoring and Evaluation | <ul style="list-style-type: none"> ○ The Department did not receive financial and performance results from all NGOs in our sample in accordance with the terms of the grant funding agreements and best practices. ○ The Department could not provide documentation to support whether financial and performance results were received from NGOs in accordance with the timeframes of the grant funding agreements. ○ The Department did not document its assessment of any financial or performance results received from NGOs. |
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RECOMMENDATIONS (paragraphs 61, 62, 63 & 66)

Grant Funding to Non-Government Organizations

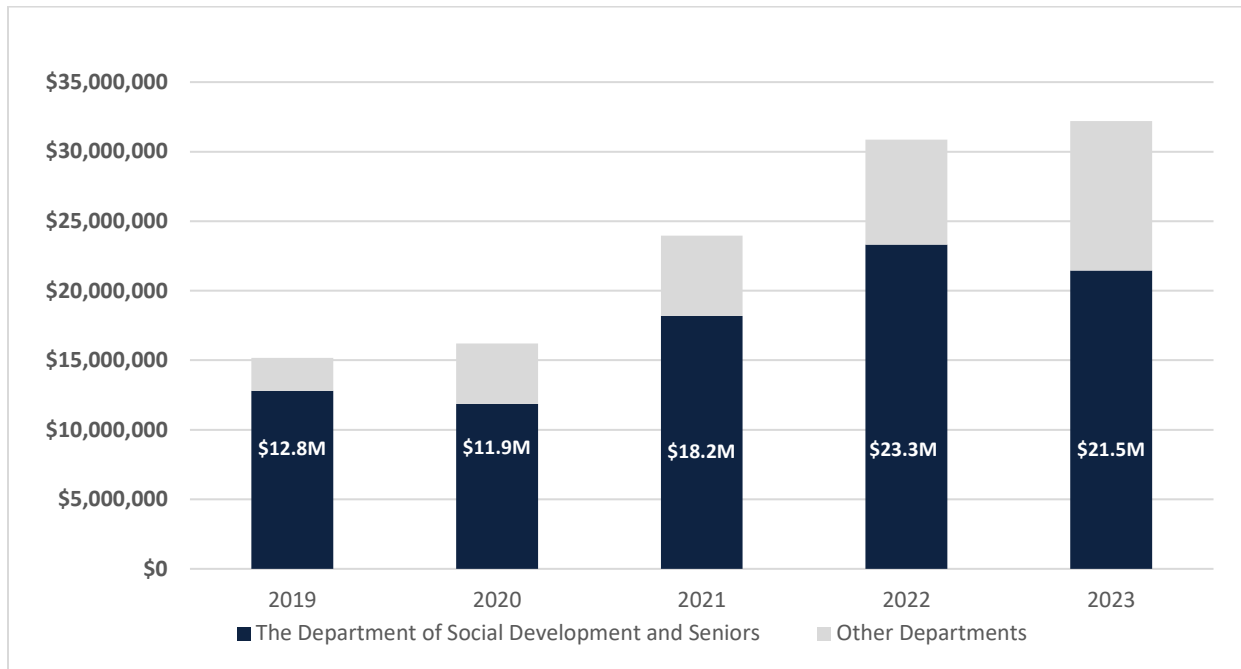
Why it's important

The work of NGOs is often made possible through grant funding provided by the provincial government. Where grant funding arrangements are in place, government is accountable for taking appropriate measures to ensure that public funds disbursed to NGOs are used as intended. It is important that government establish effective financial controls and monitor grant funding arrangements to hold NGOs accountable for the use of taxpayers' dollars. This is especially important given the role NGOs have in the delivery of early childhood development, healthcare and social services to Islanders.

BACKGROUND

1. Non-government organizations (NGOs) are entities that operate with a “not-for-profit” philosophy. The purpose of an NGO is to provide services and programs that benefit the public. NGOs are organizations that do not form part of the public sector, but may rely heavily on government grants for their revenue.
2. During the five-year period ending March 31, 2023, the amount of operating grant funding provided by the Province to NGOs increased significantly, from \$15.2M in 2019 to \$52.9M in 2023. After removing the \$20.7M in temporary funding related to Post-Tropical Storm Fiona response programs, the Department of Social Development and Seniors (the Department) disbursed \$21.5M of the remaining \$32.2M in grant payments to NGOs in fiscal 2023.
3. **Exhibit 1** provides a summary of the NGO operating grants disbursed by the Province and the portion of grant funding arrangements managed by the Department for the five-year period ending March 31, 2023.

EXHIBIT 1
SUMMARY OF PROVINCIAL GOVERNMENT NGO OPERATING GRANT SPENDING
FIVE-YEAR PERIOD ENDING MARCH 31, 2023



Source: This data is derived from the Department’s NGO Operating Grant transactions extracted from the Province’s financial information system.

4. The Department of Social Development and Seniors is responsible to lead the Province’s efforts to address social challenges facing Islanders by ensuring that necessary programs and services are available to those

in need. The Department has three divisions, each with its own specific role. **Exhibit 2** provides a summary of the programs and services administered within each division of the Department as at March 31, 2023.

EXHIBIT 2
DEPARTMENT OF SOCIAL DEVELOPMENT AND SENIORS
SUMMARY OF PROGRAMS AND SERVICES BY DIVISION
AS AT MARCH 31, 2023

Division*	Summary of Programs and Services
Social Programs	Responsible for the delivery of services to individuals and families in the areas of Social Assistance, Childcare Subsidy, Seniors’ Independence Initiatives, AccessAbility Supports, and Employment and Residential Services. A variety of NGOs are funded to provide services to these groups.
Child and Family Services	Responsible for the delivery of services for families and communities for the safety and well-being of children and youth in the areas of child protection, children’s residential services, alternate care providers, children in care, foster care, adoption and parental support.
Seniors and Planning, Policy, and Innovation**	Responsible to support functions and services related to policy, legislation, planning, program development, evaluation, quality improvements, performance, Federal/Provincial/Territorial relations, records information management and emergency social services. This division is also responsible for supporting public education efforts for seniors’ issues, to advise Government on the development of policies that affect the lives of Island seniors, and to support the operations of the Seniors’ Secretariat.

Source: Based on information provided by the Department of Social Development and Seniors.

*As of April 14, 2023, the Housing Services Division has been moved to another department and therefore excluded from the scope of this engagement.

**As of April 1, 2024, this division was renamed Strategy, Policy, and Seniors.

5. In some cases, these programs and services are delivered in partnership with NGOs that support the mandate and policy direction of the Department. Once the Department has determined that programs or services are best provided through an NGO, eligible organizations are identified by the Department and requested to submit an application package on an annual basis in order to receive an operating grant to deliver that program or service.
 - Category 2 - Services provided by these organizations are necessary, but not absolutely required. If services are not delivered by these organizations, pressure would be placed on caregivers and other service providers, as well as government programs to replace the services.
 - Category 3 – These organizations provide important, but not essential, services for vulnerable population groups and organizations.
6. The Department maintains a listing of these ‘eligible’ NGOs, which are grouped into the following three categories:
 - Category 1 – Services provided by these organizations are considered essential. Government would be required to provide this service if these organizations did not exist.
7. In addition to annual operating grants, the Department may also provide operating grants to NGOs on a one-time basis, or to fund specific initiatives delivered by NGOs. These will be referred to as ‘other grants’ throughout this report.

8. In fiscal 2022 -23, the Department allocated over \$21 million in grant funding through their 'NGO Operating Grants' accounts.

Exhibit 3 provides a summary of the grants

provided to NGOs for that period by division, including a breakdown of both annual operating grants and 'other grant' funding.

EXHIBIT 3
SUMMARY OF NGO GRANTS BY DIVISION
FISCAL PERIOD ENDING MARCH 31, 2023

Division	Annual Operating Grants		Other Grants		Total Grants	
	# of NGOs	Grant Funding	# of NGOs	Grant Funding	# of NGOs	Grant Funding
Social Programs	15	\$15,796,000	18	\$1,114,000	33	\$16,910,000
Seniors and Planning, Policy, and Innovation	3	402,000	54	3,731,000	57	4,133,000
Child and Family Services	3	199,000	2	215,000	5	414,000
Total	21	\$16,397,000	74	\$5,060,000	95	\$21,457,000
% of total	76%		24%		100%	

Source: This data is derived from the Department's NGO Operating Grant transactions extracted from the Province's financial information system.

OBJECTIVE AND SCOPE

9. The objective of this independent assurance engagement was to determine whether the Department of Social Development and Seniors appropriately approved, disbursed, and monitored grant funding payments to non-government organizations.

10. This report summarizes the results of our audit work for the scope period of April 1, 2022, through March 31, 2023, and includes **13 recommendations** which are listed in **Appendix A**. Details on the audit standards, objective, criteria and scope of our audit work are included in **Appendix B**.

11. In April 2023, just after the audit scope period, the government announced changes to its cabinet and the realignment of several departments. With these changes, the Department of Social Development and Housing became the Department of Social Development and Seniors and was no longer responsible for the Housing Services Division.

This Division was moved to a newly formed ministry and therefore, any grants provided through this division were excluded from the scope of this audit. The following sections of our report provide information on the findings and conclusions of our audit.

OBSERVATIONS AND RECOMMENDATIONS

GRANT FUNDING APPROVAL PROCESS

Summary of Findings

12. The Department had a policy and procedures document to provide guidance for employees on the process for funding NGOs. However, the policy did not provide any guidance on:

- how to document the review and approval of grant applications;
- how to monitor and evaluate the NGO's use of the grant funding; and
- what corrective action should be taken if expected results are not achieved.

13. The Department could not provide sufficient documentation to support each grant funding application in accordance with its policies and procedures document.
14. There was no documentation maintained by the Department to support that the information submitted by NGOs was assessed prior to the approval of their grant funding application.
15. The Department received Treasury Board approval before signing the grant funding agreements for each of the nine annual operating grants in our sample with values greater than \$100,000.
16. We found an instance where an initial disbursement was made to an NGO on a five-year, \$250,000 funding commitment approved by the Deputy Minister that did not have Treasury Board approval or a funding agreement.

Documented Policies and Procedures

17. Every year, the Department must make important decisions to determine which NGOs it will provide with grant funding. We expected the Department to have documented policies and procedures to provide employees with guidance on how to consistently assess and respond to grant funding requests from NGOs.

Insufficient policy guidance

18. The Department has an internal policy and procedures document, entitled *Funding to Community Organizations* (policy), which provides guidance for employees on its process for funding NGOs. This policy outlines the information to be provided by each NGO when submitting an application, how grant funding requests are evaluated and approved by the Department, and the terms and conditions that must be accepted as part of the grant funding agreement if the application is approved.
19. However, the policy did not provide employees with any guidance on
 - how to document the review and approval of grant applications;
 - how to monitor and evaluate the NGO's use of the grant funding; and
 - what corrective action should be taken if expected results are not achieved.
20. Documented policies and procedures help to clarify approval and monitoring processes for Department employees who administer grant programs. Without clear written instruction to provide guidance to employees, there is an increased risk that the Department will not have documentation available to support its consideration of funding decisions, or its evaluation of whether expected results were achieved with the funding provided.

Recommendation

21. The Department of Social Development and Seniors should update its policy to include guidance on

- how to document the review and approval of grant applications;
- how to monitor and evaluate the NGO's use of the grant funding; and
- what corrective action should be taken if expected results are not achieved.

22. Based on the Department's policy, NGOs that request grant funding are required to complete a grant application each year providing the following information:

- an organization certification document, signed by the President, or Chair, of the NGO, confirming their approval of the funding request for the period;
- organizational contact information;
- a listing of the organization's board members;

- a summary description of programs and services provided by the organization; and
- the organization's most recent budget and actual financial information.

Assessment of Applications

23. We selected a sample of 15 grants provided to NGOs in fiscal 2022-23 to determine whether the Department

- was provided with all the required information in accordance with its policies;
- assessed the grant funding applications in accordance with applicable policies; and
- maintained documentation to support their assessment.

24. **Exhibit 4** provides a breakdown of NGO grants selected for sample testing which included nine annual operating grants, and six 'other grants'. **Appendix C** provides a summary of all sample testing results.

EXHIBIT 4

BREAKDOWN OF NGO GRANTS SELECTED FOR SAMPLE TESTING

Division	NGO Grants Tested		NGO Grants Not Tested		Total NGO Grants	
	# of NGOs	Grant Funding	# of NGOs	Grant Funding	# of NGOs	Grant Funding
Annual Operating Grants	9	\$13,978,000	12	\$2,419,000	21	\$16,397,000
Other Grants	6	465,000	68	4,595,000	74	5,060,000
Total	15	\$14,443,000	80	\$7,014,000	95	\$21,457,000
% of total	67%		33%		100%	

Source: Data extracted from the Province's financial information system and compiled by the Office of the Auditor General.

Lack of documentation to support grant funding applications

25. We reviewed the grant applications and supporting documentation submitted to the Department by the NGOs in our sample. Of the nine NGOs that received an annual

operating grant, we found one instance where the Department could not provide the signed organization certificate, confirming the Board's approval of the funding request. In another instance, the Department could not provide a grant application, or any

supporting documentation, submitted from the NGO.

- 26. For the six NGOs in our sample that received ‘other grant’ funding, we found that the Department could not provide all of the

required documentation to support any of the funding applications (See **Exhibit 5**). Management of the Department informed us that they did not use a standard application for the ‘other grant’ funding requests.

**EXHIBIT 5
SUMMARY OF SUPPORTING DOCUMENTATION
GRANT FUNDING APPLICATIONS - OTHER GRANTS**

Supporting Documentation	NGO #1	NGO #2	NGO #3	NGO #4	NGO #5	NGO #6
Organization Certification	✗	✗	✓	✗	✗	✗
Organization Information	✗	✓	✓	✗	✓	✗
Board of Directors	✗	✗	✓	✗	✗	✗
Program Description	✗	✓	✗	✗	✓	✓
Financial Information	✗	✓	✗	✗	✓	✓

- 27. Obtaining sufficient supporting documentation for grant funding applications is important to confirm that the funding request was approved by the NGOs governing body, allows the Department to assess the financial need, and whether the programs offered by the NGO align with the Department’s mandate. The information on the NGO’s Board of Directors also allows the Department to assess whether any conflicts-of-interest may exist prior to approving the funding request.

Department employees, and assessed to determine if the proposed work aligns with the mandate and strategic direction of the Department.

- 30. We expected these evaluations to be documented to support that grant funding applications were assessed in accordance with the Department’s policy. For all 15 NGO grants in our sample, we found that there was no documentation maintained by the Department to support that the information submitted by NGOs was assessed prior to the approval of their grant funding applications.

Recommendation

28. The Department of Social Development and Seniors should obtain the grant application and supporting documentation for each grant funding request in accordance with its policy.

No documented assessment of grant funding applications

- 29. Based on the Department’s policy, the information submitted with each grant application should be reviewed by

- 31. Documenting the review process is important to support that the Department verified that all of the required information was received from the applicant, and was consistently evaluated, therefore, providing evidence that the approval process was fair and unbiased. This documentation could also be used by the Department to provide detailed feedback to applicants, especially if the grant provided was lower than requested, or if the funding request was denied.

Recommendation

32. The Department of Social Development and Seniors should document its assessment of grant funding applications.

Treasury Board Approval of Grant Funding Agreements

33. In accordance with Treasury Board Policy 13.02, all grant funding agreements with a value greater than \$100,000¹ require Treasury Board approval. This approval should be obtained prior to the grant funding agreement being signed, and prior to the disbursement of any funds to the NGO.
34. As part of our audit, we looked to determine whether grant funding requests were approved in accordance with Treasury Board policies. We found that the Department received Treasury Board approval for each of the nine annual operating grants tested before signing the grant funding agreements in accordance with Treasury Board policy. Grant funding amounts for the six 'other grants' tested were below the applicable threshold, so Treasury Board approval was not required.

Grant payments made without Treasury Board authorization or a grant funding agreement in place

35. In addition to the 15 grant funding agreements included in our sample testing, we found that one NGO in our sample received two payments, totalling \$70,000, that were over and above the value of its

¹ At the beginning of our scope period, this threshold was applicable to all agreements in excess of \$100,000; however, in December 2022, this amount was increased to \$250,000.

grant funding agreement with the Department. We were provided with correspondence from the NGO requesting the Department to support a capital campaign. In response, the Department made an initial contribution of \$20,000, which was followed by a written commitment to provide the NGO with an additional \$250,000 in grant funding over a five-year period to support the initiative.

36. Although the correspondence outlining the \$250,000 commitment was signed by the Deputy Minister, there was no grant funding agreement signed between the Department and NGO as required by the Department's policy. Furthermore, the Department did not obtain Treasury Board approval prior to committing to this funding.

Recommendations

37. The Department of Social Development and Seniors should ensure there is a signed grant funding agreement for all grant funding commitments made to NGOs, in accordance with applicable policies.

38. The Department of Social Development and Seniors should ensure that grant funding agreements are approved by Treasury Board, in accordance with Treasury Board policy.

GRANT FUNDING TERMS AND PAYMENTS

Summary of Findings

39. The Department did not require all NGOs to submit financial and performance results as

part of their grant funding agreements in accordance with applicable policies and best practices.

40. The terms of one grant funding agreement were not consistent with the Treasury Board approval.
41. We noted a few instances where payments were disbursed prior to grant funding agreements being signed, and one instance where appropriate authorization of a payment was not obtained.

Grant Funding Agreements

42. Once a grant funding request is approved, the terms and conditions of the funding should be formalized in a grant funding agreement. Based on the policy and best practices, the grant funding agreements should outline:
 - a description of “the work”;
 - the amount and timing of payments;
 - the availability of records for audit;
 - a requirement to submit financial results; and
 - a requirement to submit performance results.

Not all grant funding agreements included a requirement to submit financial and performance results

43. We found that the Department used a standardized funding agreement for the annual operating grants that included the required terms and conditions noted above. These standardized grant funding agreements were signed by each of the nine

NGOs in our sample that received an annual operating grant.

44. We were also provided with signed grant funding agreements for the six NGOs in our sample that received ‘other grant’ funding. We reviewed the agreements for these NGOs and found that they included a description of “the work”, the amount and timing of payments, and the requirement for records to be available for audit, however:
 - five of the six grant funding agreements did not include the requirement for the NGO to submit financial results; and
 - four of the six grant funding agreements did not include the requirement for the NGO to submit performance results.
45. The requirements to report financial and performance results are an important part of grant funding agreements. Information reported by NGOs allows the Department to assess whether the grant funding was used as intended, identify any issues requiring follow-up action and whether the level of funding provided was warranted. The volume, detail and frequency of reporting requirements should reflect the amount and type of grant funding.

Recommendation

46. The Department of Social Development and Seniors should require all non-government organizations receiving grant funding to sign the Department’s standardized grant funding agreement which includes a requirement to submit financial and performance results.

Terms of grant funding agreement not consistent with the Treasury Board approval

47. We also reviewed the grant funding agreements for each of the nine annual operating grants tested in our sample to determine whether they were consistent with the details approved by Treasury Board. We found that the grant funding agreement for one of the NGOs tested committed the Department to paying \$306,600, over a three-year term, but Treasury Board had only approved a one-year term, with a total value of \$102,200.

Recommendation

48. The Department of Social Development and Seniors should ensure that grant funding agreements are consistent with Treasury Board’s approval.

Grant Payments

49. For the 15 grant funding agreements in our sample, there was a total of 40 payments made in either quarterly, or lump sum payments, between April 1, 2022 and March 31, 2023.

Grant payments not properly authorized

50. We reviewed each payment and found that they were all supported by an invoice, disbursed for the correct amount, and paid to the appropriate party, in accordance with the approved grant funding agreement. However, we noted the following issues with payments made to three different NGOs:

- one payment made to an NGO was authorized by an individual within the Department for an amount greater than their approved level of signing authority; and
- three payments were disbursed to two other NGOs before the grant funding agreements were signed.

51. Signing authority limits are in place to ensure that financial decisions are approved by the appropriate levels of management within the Department.

Recommendations

52. The Department of Social Development and Seniors should ensure that all grant payments are approved by an individual with the proper level of authorization.

53. The Department of Social Development and Seniors should not disburse grant payments until both parties have signed the grant funding agreement.

GRANT MONITORING AND EVALUATION

Summary of Findings

54. The Department did not receive financial and performance results from all NGOs in our sample in accordance with the terms of the grant funding agreements and best practices.
55. The Department could not provide documentation to show whether financial and performance results were received from NGOs in accordance with the timeframes of the grant funding agreements.

56. The Department did not document its assessment of any financial or performance results received from NGOs.

NGOs. The Department could not provide documentation to show whether these results were received from the NGO in accordance with the April 30th deadline requirement included in the grant funding agreement.

Financial and Performance Results

Not all NGOs reported financial and performance results

57. The standardized grant funding agreement used by the Department for the nine annual operating grants tested required each NGO to provide performance results on a quarterly basis, and to submit audited financial statements within 90 days after their fiscal year end. We found that the Department did not receive financial or performance results from two of these NGOs.

60. It is important for the Department to obtain financial and performance results from NGOs in accordance with the terms of the grant funding agreement. This information helps the Department to determine if grant funding has been used for its intended purposes, identify issues requiring follow-up action, and assess the merits of future grant funding requests.

No documentation to support whether reports were received in accordance with timeframes in agreement

58. For the seven NGOs who submitted financial and performance results, the Department could not provide documentation to show whether they were received in accordance with the timeframes of the grant funding agreements. However, we noted that the audit reports submitted to the Department by two NGOs were dated after the deadlines outlined within the grant funding agreement.

Recommendations

61. The Department of Social Development and Seniors should obtain financial results from non-government organizations in accordance with grant funding agreements.

62. The Department of Social Development and Seniors should obtain performance results from each non-government organization in accordance with grant funding agreements.

63. The Department of Social Development and Seniors should record the dates that financial and performance results are received from non-government organizations.

59. As previously noted, only two of the six grant funding agreements for the NGOs tested that received other grant funding included a requirement to submit performance results, and only one of those NGOs was required to submit financial results. We found that the Department received financial and performance results from only one of the two

Assessment of Financial and Performance Results

No documented assessment of financial and performance results

64. The Department is ultimately responsible for the grant funding provided to NGOs and

should be able to demonstrate and justify the use of public resources. We expected the Department to document its assessment of financial and performance results received from NGOs, and to follow-up with any potential instances of non-compliance with the terms of the grant funding agreement. We were informed that the Department did not document its assessment of any results received from NGOs.

65. Many of these NGOs receive funding each year to provide essential services to vulnerable sectors of the population. At the end of each grant funding period, it is important for the Department to document its assessment of how the funds provided to NGOs had been spent.

Recommendation

66. The Department of Social Development and Seniors should document its assessment of financial and performance results received from NGOs, including any issues identified that require follow-up action.

67. In 2009, our Office published an audit report titled *Department of Social Services and Seniors Grants to Non-Government Organizations*. Some of the issues identified by this previous audit are still prevalent today, such as

- a need for improvements in the documentation and approval of grant funding for NGOs;
- grant funding agreements were not in place for all NGOs funded; and
- the Department did not actively follow-up with NGOs to obtain the information

required to assess whether grant funding objectives were achieved.

CONCLUSION

68. Based on the reasonable assurance procedures performed and the evidence obtained, we have formed the following conclusion on our audit objective:

- The Department of Social Development and Seniors did not always appropriately approve, disburse, and monitor grant funding payments to non-government organizations throughout the scope of our audit.

RECOMMENDATIONS*	MANAGEMENT RESPONSE
<p>Recommendation 21 The Department of Social Development and Seniors should update its policy to include guidance on</p> <ul style="list-style-type: none"> • how to document the review and approval of grant applications; • how to monitor and evaluate the NGO’s use of the grant funding; and • what corrective action should be taken if expected results are not achieved. 	<p>The Department accepts and values this recommendation. The policy development process began in 2024 and will reflect the advice of this recommendation.</p> <p><u>Timeline: Summer 2025</u></p>
<p>Recommendation 28 The Department of Social Development and Seniors should obtain the grant application and supporting documentation for each grant funding request in accordance with its policy.</p>	<p>The Department accepts and values this recommendation and the policy development currently underway will provide clear direction on this matter. <u>Timeline: Summer 2025</u> SDS obtained grant applications and supporting documentation for all funding requests received for the upcoming fiscal year 2025-2026. <u>Timeline: Implemented</u></p>
<p>Recommendation 32 The Department of Social Development and Seniors should document its assessment of grant funding applications.</p>	<p>The Department accepts and values this recommendation and the policy development currently underway will provide clear direction on this matter. <u>Timeline: Summer 2025</u> The Department has documented the assessment of grant funding applications for the upcoming fiscal year 2025-2026. <u>Timeline: Implemented</u></p>
<p>Recommendation 37 The Department of Social Development and Seniors should ensure there is a signed grant funding agreement for all grant funding commitments made to NGOs, in accordance with applicable policies.</p>	<p>The Department accepts and values this recommendation and the policy development currently underway will provide clear direction on this matter. <u>Timeline: Summer 2025</u> The Department has entered into a Treasury Board approved funding agreement with the NGO identified in the Audit Report which forms the basis of this recommendation. <u>Timeline: Implemented</u></p>

RECOMMENDATIONS*	MANAGEMENT RESPONSE
<p>Recommendation 38 The Department of Social Development and Seniors should ensure that grant funding agreements are approved by Treasury Board, in accordance with Treasury Board policy.</p>	<p>The Department accepts and values this recommendation and the policy development currently underway will provide clear direction on this matter. Timeline: Summer 2025 The Department has received Treasury Board approval of a grant funding agreement with the NGO identified in the Audit Report which forms the basis of this recommendation. Timeline: Implemented</p>
<p>Recommendation 46 The Department of Social Development and Seniors should require all non-government organizations receiving grant funding to sign the Department’s standardized grant funding agreement which includes a requirement to submit financial and performance results.</p>	<p>The Department has implemented a checklist and tracking sheet that ensures funding agreements are signed. Revisions to these documents are expected as part of the policy development and will address the requirement to use standardized agreements and submission of financial and performance results. Timeline: Partially Implemented now, fully implemented by Summer 2025</p>
<p>Recommendation 48 The Department of Social Development and Seniors should ensure that grant funding agreements are consistent with Treasury Board’s approval.</p>	<p>The Department has implemented a tracking sheet and checklist that requires completed signed agreements. Revisions to this checklist are expected as part of the policy development and will include the requirement to ensure agreements are consistent with Treasury Board’s approval. Timeline: Partially Implemented, fully implemented by Summer 2025</p>
<p>Recommendation 52 The Department of Social Development and Seniors should ensure that all grant payments are approved by an individual with the proper level of authorization.</p>	<p>The Department accepts and values this recommendation and will review the signing authority process to identify improvements and training opportunities that will mitigate the risk of this occurrence. Timeline: Fall 2025</p>
<p>Recommendation 53 The Department of Social Development and Seniors should not disburse grant payments until both parties have signed the grant funding agreement.</p>	<p>The Department has implemented a tracking sheet and checklist that identifies whether NGOs have signed their grant funding agreement. Revisions to these documents are expected as part of the policy development and will include the requirement to ensure the grant funding agreements are signed in advance of payments being disbursed. Timeline: Partially Implemented, fully implemented by Summer 2025</p>

RECOMMENDATIONS*	MANAGEMENT RESPONSE
<p>Recommendation 61 The Department of Social Development and Seniors should obtain financial results from non-government organizations in accordance with grant funding agreements.</p>	<p>The Department has implemented the use of a checklist and tracking sheet which includes the financial results achieved in accordance with grant funding agreements. Processes related to obtaining these documents are currently being refined as part of the policy development. Timeline: Partially Implemented, fully implemented by Summer 2025</p>
<p>Recommendation 62 The Department of Social Development and Seniors should obtain performance results from each non-government organization in accordance with grant funding agreements.</p>	<p>The Department has implemented the use of a checklist and tracking sheet which includes the performance results achieved in accordance with the grant funding agreements. Processes related to obtaining these documents are currently being refined as part of the policy development. Timeline: Partially Implemented, fully implemented by Summer 2025</p>
<p>Recommendation 63 The Department of Social Development and Seniors should record the dates that financial and performance results are received from non-government organizations.</p>	<p>The Department has implemented the use of a checklist and tracking sheet which includes the financial and performance results achieved in accordance with grant funding agreements. Processes related to obtaining these documents are currently being refined as part of the policy development and will include the recording of dates that financial and performance results are received. Timeline: Partially Implemented, fully implemented by Summer 2025</p>
<p>Recommendation 66 The Department of Social Development and Seniors should document its assessment of financial and performance results received from NGOs, including any issues identified that require follow-up action.</p>	<p>The Department has implemented the use of a checklist and tracking sheet which includes the financial and performance results achieved in accordance with grant funding agreements. Processes related to obtaining these documents are currently being refined as part of the policy development and will establish the documentation and follow up requirements. Timeline: Partially Implemented, fully implemented by Summer 2025</p>

*Recommendation numbers refer to paragraph numbers.

AUDIT STANDARDS, OBJECTIVE, SCOPE AND SCOPE LIMITATIONS

STANDARDS

This independent assurance report was prepared by the Office of the Auditor General of Prince Edward Island. Our responsibility was to provide objective information and independently conclude on whether the Department of Social Development and Seniors appropriately approved, disbursed, and monitored grant funding payments to non-government organizations.

Work conducted for this audit was performed to a reasonable level of assurance in accordance with Canadian Standards on Assurance Engagements (CSAE) 3001 - Direct Engagements set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook - Assurance.

The Office of the Auditor General of Prince Edward Island applies the Canadian Standard on Quality Management which requires our office to design, implement, and operate a system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we have complied with independence and other ethical requirements of the Rules of Professional Conduct of the Chartered Professional Accountants of Prince Edward Island and the Code of Conduct of the Office of the Auditor General of Prince Edward Island. Both the Rules of Professional Conduct and our Office's Code of Conduct are founded on fundamental principles of integrity, objectivity, professional competence, due care, confidentiality, and professional behavior.

OBJECTIVE AND CRITERIA

The objective of this audit was to determine whether the Department of Social Development and Seniors appropriately approved, disbursed, and monitored grant funding payments to non-government organizations.

Criteria:

- Applications for non-government organization grant funding were assessed and authorized in accordance with applicable policies and best practices.
- Payments to non-government organizations were disbursed in accordance with the approved grant funding agreements, and appropriately authorized.
- The Department of Social Development and Seniors has processes in place to monitor grant funding agreements with non-government organizations in accordance with applicable policies and best practices.

Audit criteria for this engagement were developed primarily from policies and best practice.

In accordance with our regular audit process, we obtained the following from management:

- confirmation of the Department of Social Development and Seniors' responsibility for the subject matter;
- acknowledgement of the suitability of the criteria used in the audit;
- confirmation that all known information that has been requested, or that could affect the findings or audit conclusion, has been provided; and
- confirmation that the audit report is factually accurate.

SCOPE AND APPROACH

The scope of our audit included analysis and testing of records from the Department of Social Development and Seniors for the period April 1, 2022, to March 31, 2023. We examined documentation outside of that period as necessary.

Our approach included

- interviews with Department management and employees;
- review of Treasury Board minutes;
- review of policy and procedure documents relevant to government grant funding arrangements;
- testing a sample of grant funding applications received from non-government organizations, approval documentation, grant funding agreements, vendor payments and reporting; and
- review of other documentation as required.

The data used for audit testing included the transactions posted by the Department to the 'NGO Operating Grants/Subsidies' accounts within the Province's financial information system and may not include all of the of the operating grants paid to NGOs for the period.

During the scope period, the Department provided \$20.7 million in grant funding related to Post-Tropical Storm Fiona response programs, which have been excluded from the scope of this audit. As at April 14, 2023, the Housing Services Division was moved to another department, and therefore we excluded all NGO operating grants provided through this Division from the scope of this audit.

It is important to note that our observations and conclusions relate only to the management practices of the Department responsible for administering the grant funding provided to non-government organizations and consequently, our comments and conclusions do not pertain to the practices or performance of any third parties.

DATE OF REPORT

We obtained sufficient and appropriate audit evidence on which to base our conclusions on December 19, 2024, in Charlottetown, Prince Edward Island.

AUDIT TEAM

Auditor General :	Darren Noonan
Assistant Auditors General:	Jennifer Bowness Sheri Griffin
Principal:	Justin Ellis
Directors:	Julianna Chiu Sarah Taylor
Auditors:	Mark Darrach Snow Huang

**SUMMARY OF
SAMPLE TESTING RESULTS**

		Annual Operating Grants Tested									"Other Grants" Tested					
		#1	#2	#3	#4	#5	#6	#7	#8	#9	#1	#2	#3	#4	#5	#6
Applicant Approval	Organization Certification	✓	✗	✓	✓	✓	✓	✓	✗	✓	✗	✗	✓	✗	✗	✗
	Organization Information	✓	✓	✓	✓	✓	✓	✓	✗	✓	✗	✓	✓	✗	✓	✗
	Board of Directors	✓	✓	✓	✓	✓	✓	✓	✗	✓	✗	✗	✓	✗	✗	✗
	Program Description	✓	✓	✓	✓	✓	✓	✓	✗	✓	✗	✓	✗	✗	✓	✓
	Financial Information	✓	✓	✓	✓	✓	✓	✓	✗	✓	✗	✓	✗	✗	✓	✓
	Documented Review	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
	Treasury Board Approval*	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Agreement	Clear Statement of Work	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Amount, Terms and Timing of Payment	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓
	Financial Reporting Requirements	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗	✗	✗	✓	✗
	Performance Reporting Requirements	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗	✗	✓	✓	✗
	Availability of Records for Audit	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Payments	Appropriate Amount	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Appropriate Payee	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Payment After Agreement Signed	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓
	Appropriately Authorized	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Monitoring	Financial Reporting Received	✓	✓	✓	✓	✓	✓	✓	✗	✗	✗	✗	✓	✗	✓	✓
	Performance Reporting Received	✓	✓	✓	✓	✓	✓	✓	✗	✗	✗	✗	✗	✗	✓	✓
	Documented Assessment of Reporting	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗

*Grant funding amounts for the six 'other grants' tested were below the applicable threshold, so Treasury Board approval was not required.

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