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The Honourable Bill Barisoff
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
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Dear Sir:

I am writing to you under section 13(4) of the Auditor General Act to provide a summary of findings from two pieces of work recently undertaken by my Office.

The first piece of work relates to a review of BC Arts Council grant programs. I asked my staff to undertake this review following a request from a member of the Legislative Assembly. While the dollars involved are not large in the context of overall government spending (\$13.9 million), I felt it was important to gain an understanding of how grants are administered in British Columbia. The BC Arts Council has a 12 year history of issuing a large number of grants. As a well established agency this seemed a reasonable place to start. However, given the small size of this program, I did not feel it appropriate to issue a full length report.

My staff found that BC Arts Council programs have well defined eligibility criteria. However, in some cases, a lack of sufficient documentation prevented them from determining how applications were assessed against these criteria, or how funding amounts were determined. Where funds are granted, my staff found that funding agreements are seldom used. As a result, funds have been granted without provision for recovery where there are unspent, used for purposes other than those approved or where a program has been overfunded.

My staff also found that the BC Arts Council has processes in place for monitoring the use of grants. However, again, we encountered insufficient documentation to allow us to determine the extent to which monitoring had taken place.

I have made nine recommendations, contained in an appendix to this letter, to improve the administration of grants by the BC Arts Council and address the issues noted above. It is my hope that other government organizations that provide grants will look at these recommendations, to see if they suggest process improvements they might adopt.

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The BC Arts Council has expressed agreement with all recommendations save for those related to the increased use of funding agreements. I look forward to further discussions with the BC Arts Council as I follow-up on its progress in implementing these recommendations as part of my semi-annual follow-up process.

The second piece of work relates to costs and risks to the Province associated with the 2010 Olympic and Paralympic Winter Games (the Games). My Office's two previous reports, issued in 2003 and 2006, conclude that British Columbia's share of the full cost of the Games is considerably higher than the \$600 million figure that has often been quoted. Further, in the absence of full disclosure by the Province, each report highlights significant risks that could result in even higher costs to the Province by the time the Games are finished.

My original intention was to provide an update on the recommendations contained in my Office's previous reports. However, fundamental differences of opinion between government and my Office remain unresolved. While the details of specific issues may have shifted to some extent since the Office's last report – cost estimates remain, to great extent, a moving target – the underlying fundamental differences of opinion between government and my Office have not.

Specifically, I share my predecessors' view that the full cost of staging the Games should include a number of items that are not included in the official budget. In addition, I share my predecessors' concern that the risks associated with some costs and revenues have not been adequately disclosed. Should these risks come to pass, the cost of staging the Games could escalate considerably.

I am not issuing a full length report because I do not consider it necessary to detail yet again ground that has already been covered. I have but one recommendation – that government expand its definition of Games-related costs to include all items that are reasonably attributable to hosting the 2010 Olympic and Paralympic Winter Games, and report publicly on these costs and the risks associated with them. The Vancouver Organizing Committee's revised budget, due early next year, will present an ideal opportunity to update this disclosure.

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While I have significant concerns, I would also be remiss if I did not give credit where it is due. Most competition venues are near completion. While costs have exceeded the original budget, I am pleased to report that, on the whole, the Vancouver Organizing Committee (VANOC) has done a good job of managing the timely completion of venue construction under their control.



John Doyle, MBA, CA
Auditor General of British Columbia

Victoria, British Columbia
December 2008

copy: Mr. E. George MacMinn, QC
Clerk of the Legislative Assembly

Appendix

Appendix

Summary of Recommendations Provided to the BC Arts Council

We recommend that the BC Arts Council

- *ensure all grant programs are advertised and that complete information is provided to, and requested from, applicants.*
- *put procedures in place to ensure that the eligibility and need of an applicant is confirmed and documented.*
- *ensure staff have sufficient skills to review and assess financial information provided by applicants.*
- *adequately document, for each application, the rationale supporting decisions to support or deny funding, and where funding is granted, justification for the amount approved.*
- *enter into funding agreements for each large grant and all grants given out over several years.*
- *ensure that provision is made for the recovery of funds that are unspent or used for purposes other than those approved, where funding agreements are used.*
- *ensure all funding allocations are included in quarterly funding reports to the Arts Council Board.*
- *require proper documentation supporting the review of each grant file.*
- *make efforts to recover any overfunding.*