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**GRANTS AND CONTRIBUTION AUDIT
OF THE ARTS AND CULTURAL
INDUSTRIES PROMOTION DIVISION
(ACA)**

January, 2001

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Executive Summary

As part of its review of departmental Grants and Contributions and in response to a request from Bureau management, the Internal Audit Division (SIV) of the Department of Foreign Affairs and International Trade (DFAIT) has undertaken an audit of the Arts and Cultural Industries Promotion Division (ACA). ACA delivers two programs, the Arts Promotion program and the Cultural Industries Promotion program. The audit focussed on the Arts Promotion program's grant award process and the Cultural Industries Promotion activities of ACA.

The Arts Promotion (AP) element of ACA is responsible for the management and administration of six program disciplines:

- Performing Arts (including music, dance, theatre, and multi-disciplinary groups);
- Visual and Media Arts;
- Literature and Publishing;
- Film, Video and Television;
- Canada/Mexico Exchange Program; and
- Visiting Foreign Artists Program.

AP administers grant programs and provides other support to artists and organizations in these disciplines. A seventh program, *Cultural Initiatives for War-Affected Children*, is also administered by ACA. In addition to the grant budget, ACA's operating budget is between \$300,000 - \$400,000 per year. Half of this operating budget is transferred to priority Missions for discretionary funding for local cultural initiatives. Other expenditures include travel and consulting fees as AP has responsibilities beyond awarding grants.

The role of the Cultural Industries (CI) unit in the support of culture is essentially to assist Canadian cultural associations and institutions through the export promotion process by:

- providing advice on cultural initiatives in priority countries;
- managing cultural promotion projects;
- developing export awareness and capability of national cultural associations and organizations;
- representing DFAIT in cultural activities and at cultural events;
- providing information and analysis of issues affecting the Canadian cultural community;
- providing advice to applicants on the Program for Export Market Development (PEMD) Trade Association application process; and
- recommending approval for PEMD funding.

CI works in collaboration with geographic and trade bureaux, Missions, International Trade Centres, other federal and provincial government departments, cultural associations and

arts and cultural industries. CI does not provide grants to Canadian artists. The CI unit consists of four FTEs.

Arts Promotion

The total ACA grant budget for fiscal year 1998/1999 was \$4,694,000 and ACA awards 300 to 400 grants per year. Of this budget, \$1,000,000 or 21% is allocated for Special Projects which include *Cultural Initiatives for War-Affected Children*. To confirm that the grant allocation process for the six ACA controlled disciplines, the audit team selected a random sample of 20 projects to review. However, the file documentation was too incomplete for most of the projects to confirm the process.

The length of time it takes to process applications is a problem in ACA. The same 20 sample projects discussed above were reviewed to assess the extent of this problem. For the sample reviewed, it took ACA 148 days on average to process the applications, calculated from the latter of the receipt and the due date, until their submission for approval. Approval took an average of 28 days, followed by another 40 days for ACA to get the Grant Agreement signed. While delays in signing Grant Agreements can sometimes be due to having to wait for available funds in the next fiscal year, this factor did not significantly affect the average for the sample reviewed. Altogether it took an average of 221 days or just over 7 months to process an application. Due to the problems obtaining documentation referred to above, these timeframes should be seen as estimates.

The key challenge for ACA is the time it takes to submit the recommendation memo for approval. Delays are particularly problematic for initiatives that have a brief turnaround time; for example, when artists are invited to an event on short notice. ACA cites resource constraints as the primary reason for this delay. In our view, however, significant improvements in timeliness are possible with better management and control of the process. Specific recommendations are included within.

The same 20 projects were assessed for compliance with Treasury Board criteria as set out in the December 19, 1980 Treasury Board Submission *Class Grants in the Field of Academic and Cultural Relations* and departmental criteria. Two exceptions were noted:

- The TB submission states that for Visual and Media Arts and Performing Arts, applications will be reviewed by an Advisory Committee on Cultural Relations. This committee is to be composed of representatives from the Canada Council, National Museums, CBC, the National Film Board, and the Department of Communications (now Canadian Heritage). Such committees are not convened, rather, ACA project managers contact representatives from these organizations to discuss projects on an ad-hoc basis. It is recommended that ACA review the intended role of the Advisory Committee to determine its ongoing usefulness. If the committee is no longer useful, ACA should prepare a Treasury Board submission to omit this step from the review process. Subject to such a change, ACA should reconstitute the committee and have it review all applicable grant proposals.

- The Department's Web-sites indicate that applications are only accepted from professional artists. ACA states that this policy is generally followed in order to keep down the number of applications. It does however make exceptions. While this is not a TB compliance problem, this practice is inconsistent with ACA's public information and could lead to questions of fairness and transparency. It is recommended that ACA should either change its public policy, or stop funding non-professionals.

Cultural Industries Promotion

There are many areas of overlap in the mandates and operations of CI and Canadian Heritage's (PCH's) Trade and Investment Branch that have arisen since PCH has expanded into areas that were traditionally part of CI's mandate. While this duplication of roles has resulted in confusion among CI stakeholders, the situation should improve as collaborative efforts between CI and PCH are increasing and the respective roles are now being defined.

The audit identified three notable perceptions on the part of CI staff:

- The unit lacks understanding, visibility and legitimacy within the Department;
- Cultural Industries is neither a Trade Priority Sector nor a Trade Team Canada Sector; and,
- CI is challenged to respond to an increasing demand for its services with fewer resources. CI has no support staff to assist with day-to-day operations and as a result, its Trade Commissioners spend a considerable time organizing conferences, arranging teleconferences, and handling mail-outs.

These perceptions relating to the attitudes of others in the Department may be pessimistic. Interviews with stakeholders including geographic and trade bureaux, DFAIT Team Canada representatives and Missions indicated that CI is highly successful in providing service to its clients. Without exception, they indicated that the role played by CI is important and this service should continue to be performed. ACA plays an important role with respect to the "Third Pillar" and its staff are seen as professionals who are experts in their field.

Of more concern is the consensus among Departmental stakeholders and ACA that many firms in the cultural area are not "export-ready". Helping these firms become export-ready is seen by ACA staff as the responsibility of PCH, consistent with the DFAIT's "Borders in, Borders out" approach. As CI and PCH work to define their respective roles, this responsibility should be more clearly focussed.

Scope and Objectives

As part of its review of departmental Grants and Contributions, the Internal Audit Division (SIV) of the Department of Foreign Affairs and International Trade (DFAIT) has undertaken an audit of the Arts and Cultural Industries Promotion Division (ACA). The purpose of this audit is to review the grant award process and the cultural industries promotion activities of ACA. ACA is separated into two main areas: Arts Promotion and Cultural Industries Promotion. Each area is responsible for the administration and delivery of distinct programs and initiatives and therefore findings associated with audit objectives for each area are presented separately.

Objectives

The objectives of this audit were to:

- confirm the arts promotion grant award process and identify the steps associated with the process;
- verify that the arts promotion grant award process is in accordance with ACA and Treasury Board policy and guidelines;
- review the steps involved in the arts promotion grant award process and identify any delays in the process;
- review the extent to which the cultural industries promotion element of ACA fulfills its mandate; and,
- review existing and potential cultural industries promotion initiatives to expand their mandate to existing and potential clients.

Scope

This audit was undertaken as part of DFAIT's program of audits of grants and contributions. It involved reviewing ACA project files from Fiscal Year 1998/99 and conducting interviews with ACA officers, representatives from the Trade and Geographic branches, and interviews with ACA clients at headquarters and at two Missions.

Overview of ACA's Activities

ACA delivers two programs, the Arts Promotion program and the Cultural Industries Promotion program.

Arts Promotion Program

The Arts Promotion (AP) element of ACA is responsible for the management and administration of six program disciplines:

- Performing Arts (including music, dance, theatre, and multi-disciplinary groups);
- Visual and Media Arts;
- Literature and Publishing;
- Film, Video and Television;
- Canada/Mexico Exchange Program; and
- Visiting Foreign Artists Program.

A seventh program, *Cultural Initiatives for War-Affected Children*, is administered by ACA.

The total ACA grant budget for fiscal year 1998/1999 was \$4,694,000. The grant budget has been reduced by 50% over the past three years. For 1998/99, grant funds were distributed as follows:

Grant Funds	Distribution
\$ 2,240,000	Performance Arts discipline for international touring
1,000,000	"Special Projects", including \$200,000 for the <i>Cultural Initiatives for War-Affected Children</i> program
499,000	10 Missions for funding of local cultural initiatives
450,000	Visual Arts and Media Arts discipline
150,000	Film and Video discipline
150,000	Literature and Publishing discipline (includes \$65,000 to the Canada Council Translation Program)
125,000	Exchange of Personalities Program (administered by ACEE)
50,000	Visiting Foreign Artists Program
30,000	Canada/Mexico Exchange Program
\$ 4,694,000	TOTAL

In addition to the grant budget, ACA's operating budget is between \$300,000 - \$400,000 per year. Half of this operating budget is transferred to priority Missions (London, Paris, Washington, New York, Tokyo, Rome, The Hague, Sydney and 4 other missions that each receive less than \$5,000) for discretionary funding for local cultural initiatives. Other expenditures include officer travel and consulting fees.

The ACA awards 300 to 400 grants per year. For the 1998/99 fiscal year, 337 project grants were approved. The average value of the grants was \$13,786, with the highest amount being \$250,000 (Montreal Symphony Orchestra tour), and the lowest being \$400 (representation at a book fair).

Additional project funds may also be obtained from the Department's *Public Diplomacy Fund* (PDF). This fund, whose value for the 1998/99 fiscal year was \$1,267,000, is separate from the ACA grant budget, and is occasionally used by ACA to fund projects that ACA would have funded had funds been available. All applications for PDF funding are reviewed by the PDF Steering Committee, often in consultation with ACA. Once PDF projects are selected by the steering committee, ACA is responsible for conducting the grant administration process, including the preparation of the recommendation memo for approval, administration of grant funds, etc.

Cultural Industries Promotion Program

The mandate of the Cultural Industries Promotion (CI) component of ACA is to promote Canadian interests abroad through the support of international marketing and promotional projects. This group was established in 1995 to work specifically in the international business development of arts and cultural industries. CI essentially conducts the "business" of culture - that is, opening up new markets for Canadian cultural industries and ensuring a Canadian presence at international fairs and cultural events. CI does not provide grants to Canadian artists. Its role in the support of culture is essentially to support Canadian cultural associations and institutions through the promotion process by:

- providing advice on cultural initiatives in priority countries;
- managing cultural promotion projects;
- developing export awareness and capability of national cultural associations and organizations;
- representing DFAIT in cultural activities and at cultural events;
- providing information and analysis of issues affecting the Canadian cultural community;
- providing advice to applicants on the Program for Export Market Development (PEMD) Trade Association application process¹;

1. PEMD is a government funding program whose goal is to support Canadian industry expand to the international marketplace by providing capital to qualifying associations. The funding, a maximum of \$100,000, is based on a 50-50 cost share and is non-recoverable. To qualify for a PEMD grant, associations must apply by providing an application that includes firm financial information, a

- recommending approval for PEMD funding; and
- working with Missions to identify opportunities.

CI works in collaboration with geographic and trade bureaux, Missions, International Trade Centres, other federal and provincial government departments, cultural associations and arts and cultural industries. In addition, CI develops and delivers strategies, programs, promotional tools and information for Canadian arts and cultural industries to assist them in accessing new markets.

The CI unit consists of four FTEs. This includes a Deputy Director (rotational) and three Trade Commissioners (rotational positions, but currently frozen and staffed by non-rotational officers) and functions with an operating budget of \$70,000. In addition to the operating budget, CI is allocated \$135,000 under the Program for International Business Development (PIBD)², for trade promotion.

CI received an additional \$100,000 in operational funds for the 1999/2000 fiscal year, which ACA attributes to its increasing priority within the Department. The funds are to be used to develop new partners in Other Government Departments, provincial and industry and to map out projects that focus on “borders-in/borders-out” roles. ACA’s goal in this area is to match funding from these partners to facilitate training and access to information and resources.

detailed corporate marketing plan and planned activities.

2. PIBD is the federal government’s principal program for the funding of government-organized international business development activities. It is intended to help Canadian companies expand their export markets and influence foreign decision-makers to invest in Canada.

Observations - Arts Promotion

A. Grant Award Process

Methodology

To assess the process for grant allocation, the audit team selected a random sample of 20 ACA project files from the list of projects funded in 1998/99 for review. The audit team attempted to review all documentation associated with each sample, from initial application to assessment, allocation and finally to the grant agreement.

Findings

The grant application, review and selection process for each discipline was described by ACA officers. Based on ACA descriptions of the process, the audit team expected to find the following documentation in place for each grant:

- Application form and/or letter;
- Record of input of project data information into “Promart” database;
- ACA acknowledgement of receipt of application;
- Notes or correspondence related to the application evaluation process;
- ACA “recommended projects” list;
- Memo to the MINA requesting approval;
- MINA approval or refusal;
- Press release of approved projects;
- letter to applicant from ACA notifying them of status of application;
- grant agreement form, signed by ACA and the grant recipient;
- copy of cheque (proof of payment) to recipient from ACA;
- project report submitted to the ACA by the grant recipient; and,
- where applicable, final payment by ACA.

There were serious deficiencies in most of the files obtained for the projects selected. In many cases, no documentation other than the grant agreement itself was available. As a result, the audit team was not able to verify the application review process that was said to be in place.

Audit Sample Files

It was explained to the audit team that within the last two years, ACA has implemented a filing system to accumulate all project documentation. A separate file is established for each application received, and is kept at a central location in ACA. Officers are required to file all documentation by project. Once the file is closed, usually upon receipt of the recipient’s final project report, the file is sent to LISO (formerly known as BICO). It is

unclear how the documentation contained in the files is separated and filed within LISO. It is evident from a review of sample project files that in most cases, project documentation is not kept together. The audit team found the following:

- Of 20 sample projects selected, files were found for 18 projects. The remaining two could not be located by LISO or ACA.
- Of the 18 project files provided, all were, to varying degrees, incomplete. In no case did the project file contain all the above-noted documentation.
- Application forms or letters were found on file for 10 projects.
- Project approval recommendation was found for 12 projects. For these 12 cases, ministerial approval was also included on file. However, in several of these cases, no supporting documentation, such as project summaries, was on file.
- Summaries of all projects were included in "Promart", the ACA project database. This database contains only the applicant's personal information, a very brief description of the project, and a summary of project itinerary.
- In all sample cases, the audit team obtained a copy of the Grant Agreement form from either the LISO or the Area Management Advisor's files.

ACA uses a manual system for the administration of grant applications. A new, web-based application is being developed by ACA and is due to be implemented by early fall, 1999. ACA hopes it will reduce errors and the administrative effort involved. The new system will allow applicants to apply for grants on-line via a web site, and allow ACA officers to manage the electronic information.

Conclusion

Overall, departmental files included very little information about the application evaluation process. They contained little or no correspondence between the artist and ACA or evaluation criteria or notes prepared by ACA. These documents could help facilitate the assessment of future applications, particularly for new staff are concerned.

RECOMMENDATIONS 1, 2 & 3:

ACA should ensure that complete project file documentation is kept for each application.

ACA should develop a checklist of the documents to be included in each project file. This checklist should be signed off by the ACA officer prior to filing by LISO.

ACA should ensure that this documentation is provided as a complete package to LISO, with instructions that documentation should not be separated.

ACA Response to Recommendations 1, 2 & 3:

1. ACA moved aggressively to resolve this issue which had been identified for some time but could not be properly addressed within existing resources. The development and implementation of the Promart2000 on-line grant management application is providing resolution. Promart2000 was first introduced in September 1999. Two updates have already been introduced. A third update will be introduced early in 2001.

2. Promart2000 includes a built-in checklist by way of mandatory fields to be completed prior to project approval. Electronic Promart2000 files constitute the permanent record of all project files.

3. Such instructions have been provided to LISO for elements of project files that cannot be entered into Promart2000 (hard copy supporting documentation, CDs, etc).

B. Compliance With ACA and Treasury Board Policy and Guidelines

Methodology

The audit team used the December 19, 1980 Treasury Board Submission *Class Grants in the Field of Academic and Cultural Relations* as the criteria against which to measure compliance. The audit team reviewed the process against the following primary standards and selection criteria:

- For Visual and Media Arts and Performing Arts, that applications be reviewed by an Advisory Committee on Cultural Relations composed of representatives from the Canada Council, National Museums, CBC, the National Film Board, and the Department of Communications (now Canadian Heritage).
- That applicants (including artists, specialists, companies, institutions and organizations “involved in cultural matters of all disciplines”) qualified to promote Canadian achievement in their respective fields, for which funds are available; that the activity falls within the parameter of the program; and that the activity is directly related to the objectives as set by Cabinet.

Applications are also assessed against ACA criteria specific to each discipline. Applications are accepted from professional artists and professionals in the cultural field

who are Canadian citizens and who represent not-for-profit arts, cultural or educational organizations or institutions that are registered in Canada. Further, applicants should have undertaken a minimum of three years of professional activity in Canada. The goal of these criteria is to obtain high quality applications from established groups and artists who have a proven track record and are known within the industry. In addition, projects are assessed against Mission cultural priorities in priority countries.

Findings

Current ACA cultural officers have been in their positions for between 15 and 25 years. Over that time, they have become highly knowledgeable about Canadian and foreign cultural industries, and have developed an extensive awareness of Canadian artists and groups. This knowledge is beneficial during the selection process. Further, their alliance with the Canada Council is used extensively. For all applications, the Canada Council is consulted to verify the level of professionalism of the applicant. The Canada Council maintains an extensive database of all Canadian professional artists which includes a history of performances and other information.

The goals and objectives of the artist's grant proposal are reviewed against not only their professional track record, but also against the Department's foreign policy objectives and the cultural objectives of Missions.

ACA indicated that applications are only accepted from professional artists and the Department's web-site advises that "Individual and institutional applicants should have undertaken a minimum of three years professional activity in Canada." ACA indicated that this policy is followed to keep down the number of applications they receive. ACA does however make exceptions and award grants to selected non-professional groups and artists, such as high school bands and community choirs when directed to do so. Awarding grants to non-professional groups is not a compliance problem. TB submission criteria concerning this class of grants are broad and can be interpreted to include all Canadian artists, both professional and non-professional. However, this practice is inconsistent with ACA's public information and could lead to questions of fairness and transparency.

With respect to the TB requirement to use Advisory Committees to review grant applications, the audit team learned that such committees are not convened. ACA reports that because of limited financial and human resources and a lack of time, they do not have regular gatherings of representatives from these organizations. Instead, ACA project managers contact representatives from these organizations to discuss projects, artists' feasibility and track records. This is usually done by telephone on an ad-hoc basis. In addition, the corporate knowledge of the officers enables them to make what they believe are sound judgements on the quality of the artists and projects. As well, in all cases the Missions are contacted and potential projects are discussed with them to determine whether they meet Mission priorities.

Grant amounts differ depending on the program for which the artist applies. Depending on the discipline, funding will cover the cost of international airfare, airfare and associated expenses (hotel, per diem, shipping, packing, etc.), or up to 30% of the cost of a particular initiative. A review of sample projects indicated that the amount of funds awarded complies with departmental and Treasury Board policy and guidelines and grant funding requirements.

Conclusion

From the information contained in the ACA files, it is very difficult for the audit team to confirm whether the sample of approved projects is in accordance with all ACA and TB requirements. One area in which TB requirements are not met is with respect to the application Advisory Committee process, which is to be conducted for each round of applications.

RECOMMENDATIONS 4, 5 & 6:

ACA should review the intended role of the Advisory Committee to determine its ongoing feasibility. If the committee is deemed unfeasible, consider preparing a Treasury Board submission to omit this step from the review process. Subject to such a change, ACA should reconstitute the committee and have it review all applicable grant proposals.

ACA should document meetings and/or discussions with the applicant, the Canada Council, the NFB, CBC, Canadian Heritage, Telefilm Canada, and other organizations contacted throughout the course of assessing a proposal.

ACA should either change its publications to show that non-professional artists and groups are permitted to apply for funding, or stop funding non-professional groups altogether.

ACA Response to Recommendations 4, 5 & 6:

4. ACA is consulting with representatives of the relevant organisations referred to in Treasury Board directives on all applicable grant proposals. The consultations are built-in the Promart2000 on-line grant management application and the software is designed to include the result of those consultations as part of the permanent record of all project files. Promart2000 enables consulted parties to review applications on a 24/7 basis and makes it possible to consult on a shorter list of projects than would be practical if the Committee members were to review applications during formal joint sessions. This way of operating provides grant officers with the benefits of input from the Advisory Committee without the delays associated with trying to convene the members of the Committee at the same time.

5. See response to recommendation 4 above.

6. The ACA web-site has been modified to reflect the fact that special consideration may be given to applications from Aboriginal Canadians and younger Canadian artists in regards to the requirement to demonstrate a minimum of three years professional cultural activity in Canada.

C. Steps in the Grant Award Process and Delays in the Process

Methodology

The audit team interviewed ACA program officers to map out each step and identify elements that have a tendency to delay the process.

Findings

The grant process, is made up of the following 21 steps which generally take between 1 and 5 months to complete:

- Applications arrive at ACA, either in paper or electronic versions and are directed to the appropriate officer.
- Receipt of the application is acknowledged in writing, by telephone or by electronic mail.
- Applications are registered into the ACA database.
- Applications are reviewed by the appropriate officer.
- Applications are sent electronically to the Canada Council for comment.
- Applications are sent to the appropriate Missions for review and comment. This tends to lengthen the process, while ACA awaits responses from Missions. Some Missions respond slowly or not at all.
- Canada Council and Mission comments are reviewed by ACA.
- A percentage of the grant budget is assigned to the group of applications.
- Projects are reviewed and ranked. This is done by the appropriate officer, who prepares a summary sheet for each project, including comments from the Canada Council and Missions, as well as the ACA officer's recommendation.
- The projects and their ranking are discussed by the Director and Deputy Director of ACA and the appropriate officer and a final ranking is agreed upon.
- A memorandum to MINA is prepared, usually with 4 annexes: (a) a budget summary; (b) projects recommended for funding; (c) projects that are of high quality but cannot be recommended for funding due to insufficient budget; and, (d) projects that are not recommended for funding. The memorandum also includes a table showing the distribution of applications by province, and projects recommended or not recommended.
- The memorandum is then sent to MINA, via the Director General (DG) and the Assistant Deputy Minister (ADM), all of whom review the recommendations and may

send it back to ACA for revision. When approved by the ADM, it is sent to MINA via USS.

- A separate list is prepared, containing the names of all applicants, their addresses and the amount of the request.
- The memorandum is reviewed and changes are often made to both the applicants selected and the grant amounts.
- On the basis of the list noted in step 13, selected Members of Parliament (MP) are contacted to ask if they wish to present the cheque in person. The MP has 10 days to reply.
- When MINA approval has been obtained, ACA informs the applicants of their award by letter, telephone or e-mail, depending on the timing of the project.
- Grant recipients are instructed to provide a final project itinerary and communications plan approximately 3 months (time permitting) before the start of the project.
- Upon receipt of the final itinerary, ACA prepares the Grant Agreement, which is sent to the recipient for signature.
- The Agreement is returned to ACA and counter-signed by ACA.
- A congratulatory letter to the recipient is prepared for the Minister's signature and sent to MINA.
- The cheque is requisitioned and issued. At this point, a regular requisition is made if the cheque is to be sent through the mail and there is no further involvement by ACA. However, if the cheque is to be presented by an MP, a requisition is made, to Public Works and Government Services. During the 1998/99 fiscal year, 12 (4%) cheques were distributed by MPs.

Note that if a grant exceeds \$10,000, it is to be disbursed in two payments. 90% is paid up front and 10% is held back and disbursed upon receipt of a final project report.

The audit team reviewed the approval process for each discipline and found that for a Performing Arts application received by the September 30, 1997 deadline, the initial ACA review (processes 1 to 13 above) was complete by January 21, 1998. Approval was received on March 17, 1998 (a process of approximately 5 months). The application review and approval process is the same for disciplines that do not have specific application deadlines. With the exception of the Film and Video discipline, in which approval was received within one month of application, the timelines for other disciplines are approximately the same as for those subject to deadlines (between 3 - 5 months). Refer to Appendix A for a summary of the application-to-approval timelines.

Delays in the review process risk delaying cheques to grant recipients. This in turn puts the recipient at risk of not receiving funds prior to the event. As a result, the recipient may cancel the project or have to borrow funds from alternative sources.

Final Grant Approval Process

While ACA has legal authority to approve and sign off on grant expenditures, since 1994, MINA has been responsible for project approval since 1994, regardless of project value. In 1997, ACA requested signing authority for film and literature grants up to a value of \$3,000. This request was denied.

Recommendation memo packages were found for 12 of 20 projects sampled. In these 12 cases, supporting documentation as per the list above was included in the ACA copy of the memo. ACA could not locate copies of recommendation memos for the other 8 projects selected for review.

Process Timelines

Grant approval timelines, from receipt of application to grant approval were reviewed for the 20 sample cases. For the sample reviewed, it took ACA, on average, 148 of days to process the applications from their receipt until their submission to MINA for approval. Approval took an average of 28 days, followed by another 40 days for ACA to get the Grant Agreement signed. Altogether it took an average of 221 days or just over 7 months to process the applications. See Appendix A for further details.

Due to the problems obtaining documentation described above, the audit team had a limited number of grants with which to estimate these timeframes. Therefore, these timeframes should be seen as rough estimates.

The key challenges to program operations appear to be the time it takes ACA to submit the recommendation memo. Delays are particularly problematic for initiatives that have a brief turnaround time; for example, when artists are invited to an event on short notice. ACA cites resource constraints as the primary reason for this delay.

Conclusion

The ACA application, review and recommendation process is lengthy. This creates the risk that recipients may receive funds after the fact. On several occasions (no statistics are available), projects have been cancelled due to delays approving grants. In many other cases, ACA staff said that recipients have had to borrow funds from other sources prior to receiving their grant.

ACA believes that if they had the authority to approve small dollar value grants, they would shorten the grant application approval process. However, based on the length of time it took to process the applications in the audit sample, it appears that most processing time is spent within ACA. Therefore, changing approval authority is unlikely to significantly improve timeliness.

An ACA review of the approval process to identify steps that can be eliminated or consolidated may lead to improving timeliness. Such a review might focus on the acknowledgment of receipt sent to applicants as well as on opportunities to consolidate multiple levels of review in a single meeting.

However, significant improvements in timeliness will require ACA to begin actively managing the approval process. There are currently no internal deadlines or progress reporting on the applications being processed. ACA maintains a database of all projects but it does not include dates or current status information.

Due to the lengthiness of the process, ACA regularly receives calls from applicants requesting the status of their grant request. This causes additional workload in ACA as well as uncertainty for the artist. Grant recipients have indicated to ACA staff that the process of having to “leave everything until the last minute” is very frustrating.

RECOMMENDATIONS 7, 8, 9 & 10:

ACA should conduct a review of the current application review process to identify steps that may be eliminated or consolidated to reduce the time associated with provision of grant funds.

ACA should more actively manage the grant approval process with internal deadlines and regular progress reporting. To assist in this, consider adding fields to capture the critical dates (such as receipt, application deadline, submitted to ACA, ACD, MHS, and MINA, final decision) and the current status to the project database.

To reduce delays assessing proposals, consider requesting Mission feedback on an exception basis. A lack of response by a certain deadline could indicate that the proposal is in accordance with (or not) with the Mission’s cultural priorities.

ACA should retain on file the complete recommendation memoranda packages that were prepared for MINA, including the MINA response for each set of recommendations.

ACA Response to Recommendations 7, 8, 9 & 10:

7. ACA has streamlined its application process as part of the Promart2000 development and implementation. ACA has also received authorisation to manage the approval of grants in accordance with ceilings set by Treasury Board. These changes have significantly improved turnaround times.

8. Such changes are being implemented on an on-going basis and have been incorporated into the Promart2000 system.

9. ACA does not agree entirely with this recommendation. Mission feedback is critical to ensure the quality of funding decisions, the success of the funded activities, and their relevance to the Third Pillar of Canadian foreign policy.

The issue of consultation delay has been addressed and is no longer a problem. ACA has improved its communications with missions and geographic divisions to encourage such feedback. The Promart2000 software builds-in mission consultations according to the projected itinerary proposed by the applicant. Through Promart2000, grant officers request comments from relevant mission officials for each destination included in the projected itinerary and send a number of follow-up inquiries when no feedback is forthcoming. Missions comments are date stamped by Promart2000 and can be added at any stage in the evaluation process. Wherever applicable, consultations through Promart2000 are followed by wrap-up consultations with geographic divisions in cases where all attempts to secure mission feedback have failed. In such cases, project approvals would go forward once a critical mass of feedback is obtained from the missions covered by an itinerary.

10. This recommendation has been implemented. The physical file is kept and elements of the electronic file generated by Promart2000 become a permanent record too.

Observations - Cultural Industries Promotion

A. Achievement of Mandate and Program Objectives

The promotion of Canada's culture abroad is referred to as the "Third Pillar" of Canadian foreign policy. CI's key roles in contributing to this are to:

- develop export awareness and capability of cultural associations and organizations;
- analyse strengths, weaknesses, opportunities and threats to create export strategies and assist with business development;
- inform and educate organizations and their members about government programs and services;
- manage cultural promotion projects;
- conceive and develop key international trade development activities;
- provide management and leadership to arts and cultural industries associations;
- represent DFAIT in cultural activities;
- act as liaison with DFAIT branches, Missions and OGDs concerning cultural matters;
- provide information on, and analysis, of issues affecting the Canadian cultural community;
- recommend approval for PEMD -Trade Association funding for national cultural and trade associations; and
- develop and implement of communication and marketing plans for the division.

Methodology

The audit team focussed on the service provision aspect of the group and its ability to fulfill its mandate based on existing departmental priorities and resources. In order to assess this, a review of the services provided was conducted, largely through discussions with departmental CI stakeholders and client groups.

Findings

The stakeholders interviewed indicated that CI is highly successful in providing service to its clients. The audit team sought feedback from a variety of client groups, including geographic and trade bureaux, DFAIT Team Canada representatives and Missions. Without exception, client feedback indicated the following:

- The role played by CI is important and it is important that this service continues to be performed.

- CI provides an integral role with respect to communication and outreach of cultural activities at Missions.
- CI provides clients with information, industry expertise and contacts related to cultural initiatives in a timely manner.
- ACA plays an important role with respect to the “Third Pillar” because ACA staff are experts in their field.
- ACA staff are very professional and demonstrate a strong commitment to their mandate.
- ACA has been successful in promoting an awareness of Canada, through cultural activities.

The CI role of preparing firms for export-readiness is beneficial on several counts. Firstly, it can prevent firms from launching into markets in which their products or services may not be feasible. Secondly, by ensuring that firms are prepared before they leave Canada, fewer companies will request market information and introductory services directly from Missions.

Challenges

The ability of the CI group to provide this extensive range of activities and services effectively is challenged by its limited resources, particularly the lack of support staff. CI maintained a support staff position until March 1997, when the position was eliminated. ACA management recognizes the administrative stress on CI staff and is currently reviewing the feasibility of engaging support staff on a temporary basis, perhaps to work during particularly busy times.

Another challenge to the CI group, was the emergence of the Trade and Investment Branch of PCH in September 1998. This group forms part of the Cultural Development Sector of PCH. The sector’s mandate is to “develop a sustainable, competitive environment in Canada, through both domestic and international measures, for the creation, production and distribution of Canadian content in all media, including film video, radio, television, publishing, sound recording, and multimedia, and to contribute to their exportability.”³

Many areas of overlap exist in the mandates and operations of CI and PCH’s Trade and Investment Branch. CI staff indicated that this duplication has resulted in confusion among their stakeholders. As CI and PCH work to define their respective roles, this confusion should be cleared up.

3. From *Canadian Heritage Cultural Development Sector - An Overview*, June 1, 1999 Slide 1

Conclusion

Greater awareness of CI's program has placed an increased demand for services. This has been flagged as an important challenge for CI by Missions. CI faces the challenge of responding to increasing demands with fewer resources. Despite this, CI provides, by all accounts, a valuable service for the Department, particularly with respect to communications and outreach of cultural activities at Missions. CI is perceived as very knowledgeable in its field, professional, and has demonstrated a strong commitment to client service.

B. Cultural Industries Promotion Initiatives

The preliminary survey phase of the audit identified that CI staff perceive that the unit lack's understanding, visibility and legitimacy within the Department. As a result, the audit team reviewed the CI process to identify strengths, weaknesses, opportunities and threats associated with program delivery.

Methodology

The audit team, through a series of interviews and a focus group, mapped CI activities and processes to identify:

- the impact of CI on the Department;
- the impact of CI on the industry;
- CI services to its stakeholders;
- CI's strengths;
- the impact that the development of the Trade and Investment branch of PCH has had on CI's mandate;
- challenges to program delivery; and
- areas where CI's role could be strengthened or expanded.

Findings

Process

The following are the main activities conducted by CI:

- Consult with industry and Missions to identify emerging issues and priorities. This is conducted on a formal and informal basis.
- Obtain input from cultural associations regarding export-readiness of Canadian firms.
- Respond when Missions identify an event or opportunity by making the appropriate industry connections.

- Organize the cultural component of Team Canada missions.
- Educate associations on export-readiness issues.
- Provide training and information regarding cultural trade to Missions.
- Aid the geographic bureaux and Missions to expand cultural initiatives by identifying markets and opportunities.
- Organize, fund and attend international cultural events (such as trade fairs and festivals) to seek opportunities for trade development.
- Establish contacts in the industry through direct marketing to associations and organizations, and attendance at cultural fairs and festivals.

The audit team discussed these activities with cultural stakeholders within the Department. Without exception, branches and Missions indicated that the services provided by CI are beneficial and necessary to the fulfilment of the Department's cultural promotion objectives.

Challenges

In addition to CI's challenge of having to specifically request information from all Missions regarding cultural initiatives, CI spends a considerable amount of time on outreach activities and information-gathering from Missions. Outreach and education attempts are hindered by resource constraints. If information was more regularly forwarded to CI, it could spend greater energy pursuing cultural promotion activities. However, CI also acknowledged that it faces the challenge of fulfilling its mandate in what appears to CI to be a low priority sector. For example, it is difficult for CI to develop cultural promotion initiatives when it does not receive regular planning information and cultural initiatives priorities from Missions.

CI believes that despite Departmental objectives of the "Third Pillar", cultural industries is not a priority export sector for the Department.

In addition, cultural issues at Missions are often the responsibility of Canada-Based officers with no experience in the cultural area. Promotion of cultural is a small portion of their duties which they carry-out in an ad hoc fashion.

There is consensus among Departmental stakeholders and ACA that many firms in the cultural area are not "export-ready". Helping firms become export-ready has not been the responsibility of DFAIT, although ACA is trying to help. ACA believes that firms need to be more export-ready prior to attempting to expand into to the international marketplace.

Previous efforts to collaborate with PCH have been unsuccessful. Despite of senior management direction from both departments to coordinate their responsibilities and share information, progress has not materialized. The audit team hopes that renewed efforts will be more successful.

In addition to challenges associated with program delivery, CI has no support staff to assist with day-to-day operations. As a result, CI Trade Commissioners spend a considerable amount of time processing travel claims, organizing conferences, arranging teleconferences, and handling mail-outs.

Conclusion

CI faces administrative resource constraints, which CI officers believe have hampered its ability to fulfill client requirements, particularly as knowledge of the program has expanded and demands increased. This, coupled with its view that cultural issues are not given strong priority by the Department, and the development of the Trade and Investment Branch of Canadian Heritage, has frustrated CI's efforts to fulfil its mandate.

RECOMMENDATIONS 11, 12 & 13:

When Mission activity reports in priority countries do not include cultural trade promotion activities, CI should discuss opportunities for them with the responsible officer at the Mission.

ACA should pro-actively notify the Geographic Bureaux of their priority Missions from which the Bureaux should request Mission reports that include cultural priorities.

ACA should consider adding an administrative resource to remove the bulk of administrative burden from Trade Officers and allow them to focus on more appropriate duties.

ACA Response to Recommendations 11, 12 & 13:

11. This recommendation has been implemented.

12. This recommendation has been implemented. Furthermore, priority countries are being identified in consultation with the Department of Canadian Heritage through the Cultural Trade Advisory Board.

13. ACA has reorganized support staff functions to alleviate the administrative burden on Trade Officers. CI has also established the practice of hiring a student intern per school term to undertake less complex trade duties.

C. Opportunities for New Strategies

CI has developed a two-year communication plan to facilitate marketing of activities and services. In addition to the development of a corporate identification package and a Web site, CI has recently developed a Web-based "virtual newsletter" that will be updated on a regular basis to distribute information about priorities, events and emerging issues to the industry. It has also incorporated trade development activities and CI promotion on the WIN database.

The following are some of the remaining initiatives in the CI Communication Plan, prepared in 1998. CI, however, indicates that a lack of resources may preclude it from implementing all of them.

- Establish a loan program for micro-level assistance; such as a venture capital fund to be administered by ACA.
- Develop a forum to enable Canadian companies to identify their goods and services and therefore facilitate contacts and access.
- Foster stronger relationships and knowledge of the impacts of culture on foreign policy through visits to Missions and conducting learning events while there. This would enable CI to be more proactive in the process.

Conclusion

It is possible that many of the strategies identified by CI will be realigned due to the efforts to clarify the roles and responsibilities of CI and PCH. The need for CI Trade Commissioners to perform all administrative tasks limits the time they are able to spend on the completion of the communication plan and conduct of their operational activities.

**Details of Testing
Time to Process and Approve ACA Grant Applications**

Sample Number	Days Processing in ACA (from the later of receipt of applic. & applic. deadline until sent for approval)	Days for Approval	Days Processing in ACA after Approval (until Grant Agreement signed)	Total Days
1	53	31	21	105
2	n/a	n/a	n/a	77
3	174	n/a	n/a	194
4	113	55	23	191
5	252	56	196	504
6	n/a	8	- 8 (signed on verbal approval)	n/a
7	n/a	25	8	n/a
8	n/a	n/a	n/a	n/a
9	n/a	23	18	n/a
10	n/a	40	57	n/a
11	n/a	40	23	n/a
12	n/a	25	8	n/a
13	n/a	5	23	n/a
14	n/a	25	8	n/a
15	n/a	n/a	n/a	n/a
16	n/a	10	51	n/a
17	n/a	n/a	n/a	n/a
18	n/a	n/a	n/a	n/a
19	n/a	n/a	n/a	255
20	n/a	n/a	n/a	n/a
Average	148	28	40	221

Notes:

- n/a: Documentation not available to determine dates
- Documentation of approval only available for 12 of the 20 projects

Application Deadlines (for each fiscal year):

Performing Arts (Samples # 1-6 and 15):

- September 30 for projects beginning no earlier than April 1 of the following year.
- January 31 for projects beginning no earlier than July 1 of the same year.
- May 15 for projects of less than \$10,000 and taking place the following fall or winter.

Visual Arts (Samples # 7-9):

- Applicants seeking grants of \$10,000 or more should submit their proposals in writing by one of the two annual deadlines of February 1 and October 1, and at least 6 months before the beginning of a project.

Literature; Film and Video (Samples # 10-14):

- Applicants must submit an application 4 months prior to the beginning of the project.

Visiting Foreign Artists (Sample #19):

- Applications must be submitted by December 31 for projects taking place during the 12 month period beginning the following April 1st. No applications received after the deadline will be considered.

Canada/Mexico Exchange Program (Sample #20):

- Applications must be received by June 16 of the same year preceding the year of the residency. Results will be announced at the end of the September of the same year.