



Objectives

To determine whether the Innovation and Business Investment Corporation's grant programs and Business Investment Fund were effectively managed; and whether the COVID-19 support programs, Small Business Assistance Program, and the Tourism and Hospitality Support Program, which were administered by the Corporation, had effective management and oversight.



Audit Period: June 1, 2018 to December 31, 2021.



Why this Audit is Important

The public trusts that government departments, agencies, and Crown Corporations are diligent stewards of public funds. The public assumes that there are policies, procedures, and guidelines in place that are practiced consistently and systematically in order to ensure programs operate effectively and efficiently. When government entities, such as the Innovation and Business Investment Corporation, do not manage their financial responsibilities with judicious oversight, public funds are placed at risk, creating the potential for the loss of funds and an overall lack of program oversight and control.



Conclusions

The Innovation and Business Investment Corporation did not effectively manage all aspects of its grant, loans, and investment programs, increasing the risk that ineligible businesses were supported or that funds were used for inappropriate purposes. Grant programs were not effectively managed; applicants' eligibility was not always confirmed; required clearance checks were not always completed; and cross-departmental coordination was lacking. While the Corporation did manage the loans and investments assessment processes well, it did not manage the execution and issuance of its loans and investments program effectively. Required documentation to ensure applicants were not in arrears with government was not always obtained, nor were financial checks; the financial health of the Corporation's loan portfolio was also not sufficiently managed. COVID-19 programs were not effectively managed or overseen, and as a result, there were overpayments to some businesses and financial support given to ineligible businesses. There were also inconsistencies between the Corporation's external and internal guidelines, which resulted in inconsistency across applicant funding decisions and a lack of clarity.



Recommendations

1. The Innovation and Business Investment Corporation should ensure that all policies and procedures are appropriate, regularly reviewed and updated, with updates approved and enacted in a timely manner.
2. The Corporation should ensure that all policies, procedures and contract terms for grants are followed and fully documented, including application assessments, approvals, payments and exceptions.
3. The Corporation should ensure that all policies and procedures for loans and investments are followed and fully documented, including monitoring, collections, debtor management and restrictions based on bad debt.
4. The Corporation should ensure that concerns raised by staff working directly with applicant information, and the resolutions of such, are dealt with and fully documented as part of basic due diligence.
5. The Departments of Industry, Energy and Technology and Tourism, Culture, Arts and Recreation should determine the full extent of ineligible applicants and applicant overfunding that occurred in the Small Business Assistance and Tourism and Hospitality Support programs and pursue collection.
6. Industry, Energy and Technology and Tourism, Culture, Arts and Recreation should ensure that any future grant programs have appropriate policies and procedures designed and implemented which would address the issues identified in our audit.



What We Found

Grant Programs: Policies and procedures for two of the three programs were in draft form and had not been approved by the Board. Business Development Support Program policies and procedures contained inconsistencies between which business sectors were eligible for funding. The Corporation did not fully confirm grant applicants' eligibility in accordance with approved or in-use policies and procedures. For example, 55 per cent of our Business Development Support Program grant sample (11 of 20) did not appear to have had the required cross-departmental financial appropriateness checks completed, which was noted in our 2019 Audit management letter to the Corporation. We also found that in 95 per cent of the same sample instances of grant payments being made without evidence that the required third-party credit check had been completed. In another sample, 100 per cent (60) could not demonstrate evidence of site visits, contrary to contract agreements for all three grant programs. In some areas of our sample, file documentation intended to prove that processes and procedures were appropriately followed was also incomplete.

Loans & Investments: We did not find any concerns regarding the condition of policies and procedures for loans and investments and the Corporation followed appropriate processing and assessment processes for 94 percent (33 of 35) of applications. However, we frequently could not find evidence that some of the required processes for payout happened prior to funds being disbursed. In 89 percent of our sample (31 of 35), there were no required cross-government departmental checks to ensure that applicants were not in arrears or had debts owing to government. We also found 40 per cent (14 of 35) did not have evidence of third-party credit checks or a review of the applicant's credit history, as required by policy. We also did not find evidence that the loans and investment delinquencies had been brought to the attention of the Corporation's Board during our scope period.

Loan & Investment Write-Offs: Corporation policies and procedures did not restrict businesses that had previously received a write-off on a loan from applying for new funds from the Corporation. In 26 per cent (eight of 31) of write-offs, assets could not be pursued because the client could not be contacted or located; with some clients unreachable for up to 22 years. In addition, in four of these cases, court judgments acquired by the previous Business Investment Corporation were allowed to lapse, contributing to the need for a write-off. The Corporation's Board of Directors was also not given adequate monitoring information about the status of delinquent loans, with 84 per cent (26 of 31) of reports, meant to highlight delinquencies, missing information on loans and investments entering write-off status. The Corporation's records also contained more than 100 other delinquent loans totalling \$6.2 million that were a minimum of five years old, with some up to 40 years old, that had not been written off.

COVID-19 Program Management & Oversight: Process controls for accepting and assessing applications were weak and ineffective. There were no reviews or recovery efforts beyond the assessment process or post-payment verification plan made or executed. Small Business Assistance Program internal and external guidelines, meant to restrict funding to small, local businesses, were not always followed. There were also inconsistencies in the language used in both programs' applications and guidelines. There was no formal agreement by the Board to allow these programs to use its processes and accounts to administer the programs, although the Chair of the Board advised that the Board had informally agreed. Department officials provided summary information to the Board; however, it did not provide details such as overpayments or accounting errors. Program updates were infrequent and did not provide details on the status of controls meant to ensure payments were approved and monitored effectively.



After reading this report, you may want to ask the following questions of government:

1. How can government ensure that current and future grant programs are communicated, managed and monitored appropriately?
2. How will government ensure loans and investments are executed and monitored appropriately, to reduce the risk of error or write-offs?
3. Will government review the applications to the COVID-19 grant program to ensure any ineligible or excess payments are detected and recovered?