

Chapter 5: Monitoring and Funding Municipalities



Why we did this audit:

- Strong municipal financial position is important for Nova Scotia's economy
- Four towns have dissolved in the past five years
- Six of 27 remaining towns are currently in the process of dissolution or amalgamation
- \$130 million provincial funding and grants in 2014-15 is a significant source of municipal revenue

Overall conclusions:

- Department not effectively evaluating and monitoring municipal financial risk
- Department not fully assessing municipal borrowing risk
- Department distributed formula-based funding appropriately, did not always follow guidelines for application-based grants
- Department agreed with all eight recommendations

What we found in our audit:

- Department cleared up backlog of outstanding financial reviews and indicator reports
- Dissolution of town was carried out in accordance with legislative requirements
- Minister appropriately approved municipal borrowing requests
- Five formula-based grants were correctly calculated and issued to municipalities
- Department not reviewing municipal financial information quickly enough
- Negative municipal financial indicators not followed up
- Analysis of borrowing requests from municipalities was not completed consistently or with up-to-date information
- Borrowing terms not assessed over life of the assets
- Temporary borrowing approvals not monitored for renewal or transfer to long-term financing



5 Municipal Affairs: Monitoring and Funding Municipalities

Background

- 5.1 There are currently 51 municipal governments in the province, including 3 regional municipalities, 27 towns, and 21 rural municipalities.
- 5.2 The Department of Municipal Affairs works with municipalities to support communities throughout Nova Scotia by providing advice and assistance in many areas including: budget planning and finance; land use planning; infrastructure development; and policy and program development. It also monitors the financial performance of municipalities and administers a number of programs and grants which provide funding to municipalities. Municipal Affairs employs 14 staff, including municipal finance officers, municipal advisors and managers to carry out this work.
- 5.3 Key provincial legislation which relates directly to municipalities includes the Municipal Government Act and the Municipal Grants Act. The Municipal Government Act gives broad authority to municipal councils to govern their municipal jurisdictions, including the provision of facilities, services and other activities to develop and maintain strong and viable communities. The Act provides municipalities with the power to borrow money, subject to the Minister of Municipal Affairs' approval. It also enables the Minister to prescribe the information municipalities must provide and the reporting deadlines. Under the Act, the Minister may also do anything necessary toward improving municipal government in the province.
- 5.4 The Municipal Grants Act outlines several grants available to municipalities. It also allows the Minister of Municipal Affairs to provide financial assistance to municipalities facing extraordinary financial difficulties.
- 5.5 Significant grants and funding to municipalities are noted in the following table.



Significant Grants and Funding	(\$ millions)		
	2013-14	2014-15	2015-16 (budget)
Federal Gas Tax Fund	\$85.3	\$52.5	\$53.2
Equalization and Town Foundation Grant	32.1	32.1	32.1
Grant-in-lieu of taxes (provincial property)	17.8	18.4	19.7
Grant-in-lieu of taxes (Nova Scotia Power Inc.)	11.6	11.6	12.4
HST Offset	6.1	6.1	6.1
Building Canada Fund	5.2	3.6	4.6
New Building Canada Fund	–	–	9.1
Provincial Capital Assistance Program	4.4	3.4	3.1
Total	\$162.5	\$127.7 Note 1	\$140.3

Note 1: The total shown above does not agree to the \$130.0 million spent by the Department in 2014-15 as only the more significant grants and funding are shown above

5.6 Federal gas tax funding is fully recoverable by the province from the federal government. This program is designed to provide predictable, long-term, stable funding for municipalities to help them build and revitalize their local public infrastructure. Nova Scotia Power Inc. pays the province for the full amount of the grant-in-lieu of taxes, which also covers the HST offset grants and a portion of the equalization grant.

5.7 In the last five years, four towns have dissolved into the surrounding municipalities; another six municipalities are in the process of dissolution or amalgamation, as outlined in the table below.

Town	Status	Year
Canso	Dissolved	2012
Bridgetown	Dissolved	2015
Hantsport	Dissolved	2015
Springhill	Dissolved	2015
Mulgrave	In process	Initiated 2015
New Glasgow	In process	Initiated 2015
Parrsboro	In process	Initiated 2015
Pictou County	In process	Initiated 2015
Stellarton	In process	Initiated 2015
Town of Pictou	In process	Initiated 2015

5.8 Over the last three years, two policy reviews were completed in collaboration with the Union of Nova Scotia Municipalities and municipal representatives. Both reviews addressed issues related to the financial viability of municipalities. The Towns Task Force report was completed and presented to the Department in September 2012. The Municipal Fiscal Review was completed in September 2014. Together, these reports put forward 77 recommendations for consideration.



- 5.9 While the Department has acted to address some of the recommendations, the majority were not fully accepted. The Department and the Union of Nova Scotia Municipalities are pursuing a collaborative partnership agreement to consider the remaining recommendations. Department management told us that completion of the agreement is targeted for March 31, 2016.

Audit Objectives and Scope

- 5.10 In summer 2015, we completed a performance audit of the Department of Municipal Affairs. The audit was conducted in accordance with sections 18 and 21 of the Auditor General Act and auditing standards of the Chartered Professional Accountants of Canada.
- 5.11 The purpose of the audit was to determine if the Department of Municipal Affairs has effective processes to distribute and manage funding to municipalities in a manner that helps achieve fiscal sustainability.
- 5.12 The objectives of the audit were to determine whether the Department of Municipal Affairs:
- has effective processes to monitor and evaluate municipal financial performance to assess sustainability risks;
 - has a clear framework for providing additional assistance to municipalities undergoing dissolution;
 - has effectively implemented the financial requirements of the Municipal Government Act and the Municipal Grants Act;
 - is distributing funding to municipalities in accordance with legislation, agreements, policies and procedures; and
 - has effective processes to monitor funding distributed to municipalities.
- 5.13 Generally accepted criteria consistent with the objectives of the audit did not exist. Audit criteria were developed specifically for this engagement based on similar audits performed by our Office and other legislative audit offices. Criteria were accepted as appropriate by senior management of the Department.
- 5.14 Our audit approach included interviews with Department management and staff; and examination, documentation and testing of legislation, policies and procedures. Our audit period included activities conducted between April 1, 2013 and March 31, 2015. We did not examine, nor provide an opinion on, the financial information submitted by the municipalities, except to the extent necessary to determine whether the Department's reporting requirements were met.



Significant Audit Observations

Monitoring of Municipal Financial Performance

Conclusions and summary of observations

The Department of Municipal Affairs does not have effective processes to monitor and evaluate municipal financial performance and assess sustainability risk. The Department is not reviewing and publicly reporting on the financial information submitted by municipalities in a timely manner. Over the past year, the Department addressed the backlog of outstanding financial reviews and related reporting. However, some procedures, such as reviews by municipal advisors, have still not been completed. Timely review and reporting on financial information is an issue that was identified at the Department in our 2004 audit. The Department developed an indicator tool to analyze municipal financial information, but does not have a process to follow up with municipalities on negative results identified with this financial indicator tool.

5.15 *Financial reporting* – Municipalities must submit audited financial statements, provide additional information through a financial information return, and a statement of estimates (budget) by September 30th of each year. This information is to be reviewed and used by the Department to monitor the financial health of the municipalities and publish an annual report.

► Monitoring and reporting on financial information not timely

5.16 *Review of financial information* – Department finance officers review and analyze the submitted financial documents to identify significant changes or issues which could affect financial sustainability. They follow up with the municipalities on any items that need additional information or clarification to finalize the financial information for the annual report and financial condition index. We examined the Department's financial monitoring processes for the 2012-13 and 2013-14 municipal submissions carried out in 2014 and 2015 respectively. We selected the financial information submitted by five municipalities for each year.

5.17 In 2014, the Department took an average of 337 days to complete its review and finalization of the 2012-13 financial reports we examined. Two files took over a year to finalize. The Department was aware it was significantly behind in reviewing the financial reports and allocated additional resources to address the backlog. Management implemented a new turnaround timeframe of three weeks for initial review of the reports.

5.18 For our five samples in 2015, the Department reduced the average time to review and finalize the financial information to 48 days. While the initial



review for the five sample items we tested was completed within three weeks, the Department has not established guidance or a timeframe for completion of the review process.

- 5.19 Department finance officers spend significant time reviewing the financial information, in consultation with the municipalities, to ensure accuracy in the Department's reporting of municipal financial performance. The officers are required to complete a checklist to support their review procedures. In 4 of the 10 files we examined, the checklist was not on file. The Department does not have a quality assurance process to ensure that staff review is completed consistently and as required. Incomplete or inconsistent review procedures could result in the Department reporting inaccurate financial performance information.
- 5.20 *Reporting of financial condition* – For financial information for 2009-10 and earlier, the Department was using a comprehensive forty-indicator tool to assess the financial stability of municipalities. In May 2014, the Department launched a revised tool to report the results of financial reviews in a more concise manner, focusing attention on 15 key indicators of financial viability. The 15 indicators are defined, and include a rationale for the indicator, formulas, and thresholds for evaluating performance. Municipalities are evaluated against thresholds in their class (regional municipality, rural municipality or town).
- 5.21 When the revised tool was introduced in 2014, indicators were published for 2011-12. In February 2015, the Department released the indicators for both 2012-13 and 2013-14. In June 2015, the Department published a comprehensive report of municipal statistics for the years 2011-12 through to 2013-14. Although now up to date, the Department's preparation and public reporting of the financial information was not timely over the previous years. This impacted the Department's ability to appropriately monitor the municipalities.
- 5.22 *Monitoring by municipal advisors* – The Department's municipal advisors review the finalized financial documents to ensure they are aware of the financial condition of the municipalities they monitor. They document their review using a checklist. For the 10 municipalities we examined, only three had a completed checklist showing evidence of an appropriate review. All three reviews related to the 2012-13 submissions. For 2013-14 financial information, there were no checklists and no evidence of review by the municipal advisors.
- 5.23 The municipal advisor checklist is completed after the financial officers complete their review. The Department has not established guidance or a deadline for the timely completion of municipal advisor reviews. At the time of our examination, approximately nine months had passed since the



financial officer reviews without municipal advisor reviews being completed. If the municipal advisor reviews are not completed or timely, the ongoing guidance and advice provided to the municipalities could be less effective if not based on the most up-to-date analysis.

- 5.24 In our 2004 audit of the Municipal Services Division of the then Department of Service Nova Scotia and Municipal Relations, we identified timely reporting of municipal financial indicators as a concern. While the Department has made improvements since then, such as the development of the financial indicators tool, the timeliness of reporting is still a concern. If information is not reviewed and reported within a reasonable time, it may no longer be relevant. The Department may fail to act or take less effective measures if it does not have the most relevant information upon which to make its assessments.

Recommendation 5.1

The Department of Municipal Affairs should monitor municipalities' financial information in a timely manner and publish relevant municipal financial reports and indicators promptly.

Department of Municipal Affairs Response: Agree. DMA will develop a risk-based review process to ensure resources are allocated to those municipalities that should be monitored. Municipal statistics are up-to-date and we will continue to publish the Financial Condition Index ("FCI") annually which is located on our website at <http://novascotia.ca/dma/finance/indicators.asp>

► No process to follow up on negative financial indicators

- 5.25 *Addressing negative indicators* – The Department identifies and makes public the financial viability of municipalities through its reporting on financial indicators. While this process can assist the municipalities in tracking identifying issues, mitigating risks, and long-term planning, further analysis of the negative indicators, and identification of potential underlying causes, could provide a more focused direction for the municipalities to address financial viability issues.
- 5.26 To help achieve financially stable municipalities, the Department's 2015-16 Statement of Mandate identified a performance measure to track municipalities with six or more negative indicators over a three-year period (Department refers to these as red indicators). The Department expects these municipalities to have an action plan to address the situation. However, the Department does not have a process to follow up on negative indicators to assist municipalities in determining underlying causes and developing action plans.



Recommendation 5.2

The Department of Municipal Affairs should develop processes to monitor negative financial indicators and follow up with municipalities to determine underlying causes and verify that action plans are developed.

Department of Municipal Affairs Response: Agree. Indicators are tools for municipal councillors and community members to better understand a municipality's characteristics and performance. The department will work with municipalities through the Association of Municipal Administrators (AMA) and the Union of Nova Scotia Municipalities (UNSM) to develop an agreed upon process to monitor negative financial indicators and follow up with municipalities as required.

5.27 While Department staff interact with municipalities on a regular basis, they generally do not track their meetings or document the discussions and outcomes of the meetings. For example, the Department's initiative for financial officers to meet with municipalities annually to review financial information is not tracked or documented. Additionally, municipal advisors maintain their documentation in various locations, such as in their email or paper notebooks, rather than in a specific municipal file or database. Without appropriate documentation, items may not be followed up, and relevant knowledge may be lost if staff leave or retire from the Department.

Recommendation 5.3

The Department of Municipal Affairs should document meetings, discussions and issues in the municipal files to support advice provided and actions taken and for future decision making.

Department of Municipal Affairs Response: Agree. Department of Municipal Affairs will ensure staff document meetings, discussions and issues to support advice provided.

5.28 *Uncollected taxes* – In 2013-14, property taxes, on average, accounted for 77% of municipal revenues. Uncollected taxes are one of the key indicators that was consistently identified as a negative indicator. A high percentage may indicate the municipality is experiencing difficulty monitoring and collecting overdue tax accounts. In 2012-13 and 2013-14, the rate of uncollected taxes was above the 10% benchmark for seven of the ten municipalities we examined (see table). In two of these instances, uncollected taxes were above 20%.



Municipality – Percentage of Uncollected Taxes
Municipality of Inverness (2012-13) – 21.3%
Town of Lockeport (2012-13) – 11.8%
Municipality of Barrington (2013-14) – 20.9%
Cape Breton Regional Municipality (2013-14) – 15.2%
Municipality of Cumberland (2013-14) – 11.3%
Town of Digby (2013-14) – 15.5%
Town of Westville (2013-14) – 15.4%

5.29 The Municipal Government Act requires that municipalities attempt, through sale of the property, to recover amounts owed after three years of unpaid taxes. Municipalities recover these amounts but are not required to report these tax sales to the Department. When municipalities exceed the benchmark, the Department may not know if reasonable efforts were made to collect unpaid taxes in compliance with legislation.

Recommendation 5.4

The Department of Municipal Affairs should follow up with municipalities that exceed their thresholds for uncollected taxes and monitor that the municipalities are taking reasonable measures to collect unpaid amounts in compliance with legislation.

Department of Municipal Affairs Response: Agree. Municipalities are an order of government with democratically elected Councils accountable to the electorate in the communities they represent.

The Municipal Government Act and associated regulations provides the statutory framework related to the operations of municipal government including the requirement for tax collection procedures. Municipal councils are responsible to ensure that statutory requirements are being met and that reasonable measures are being taken to collect unpaid amounts.

The Department will notify registered municipal auditors of the requirement to examine performance with respect to tax collection statutory requirements. When municipal auditors notify the Department that tax collection procedures are inadequate, the Department will follow up.

5.30 *Municipal deficits* – When municipalities incur a deficit at year end, the Department ensures that deficits are recovered in the following year. We examined five municipalities that reported a deficit during our audit period. They are listed in the following table. Four of the five municipalities had operating reserves or an accumulated surplus from previous years. Although still classified as an operating deficit in the financial indicators report, these cases do not trigger any further follow-up by the Department as the municipality has the funds to cover the expenses.



Municipalities with Reported Deficits Examined
Municipality of the County of Antigonish (accumulated surplus)
Halifax Regional Municipality (operating reserves)
Town of Pictou (accumulated surplus)
Municipality of the District of St. Mary's (accumulated surplus)
Town of Truro

5.31 Only one municipality (Town of Truro) we examined had an accumulated deficit position and no operating reserves. The deficit was not repaid fully in the subsequent year, as required. However, appropriate approval was received from the Minister to repay the deficit over several years. The deficit resulted from an unusual situation and would have caused undue hardship to the municipality had it been required to be repaid in one year.

► Process of dissolution of town followed required regulations

5.32 *Municipal dissolutions* – Four towns (Canso, Bridgetown, Springhill and Hantsport) have dissolved in the last five years due to financial hardship; others are in process of dissolution or amalgamation. When a town seeks to dissolve, it must follow a legislative process which involves the province and the Nova Scotia Utility and Review Board.

5.33 We examined the dissolution process for the Town of Springhill. We found legislative requirements were followed and the dissolution was appropriately carried out.

Meeting Legislated Capital Borrowing Requirements

Conclusions and summary of observations

The Department's processes to ensure legislated municipal capital borrowing requirements are met need improvement. While all temporary borrowing resolutions we examined were reviewed by the Department and approved by the Minister as required, the Department's assessment of municipal borrowing risk did not include sufficient and consistent review of the financial indicators. When financial indicators were reviewed, the data used was not timely. Additionally, the Department did not complete sufficient risk analysis to determine a municipality's ability to finance a project over the useful life of the asset. The Department does not perform sufficient monitoring to ensure that approved short-term borrowing is renewed annually or converted to long-term financing subsequent to the initial approval.

5.34 *Municipal borrowing* – Under the Municipal Government Act, municipal borrowing, financial guarantees, and lease commitments require approval



by the Minister of Municipal Affairs. Municipalities cannot borrow money without the Minister's approval and borrowing is only for the purposes specified in the Act. This is required as the province is ultimately responsible for the debt, through its guarantee, should a municipality default on a loan.

- 5.35 Municipalities secure long-term financing for capital projects through the Nova Scotia Municipal Finance Corporation and a provincial guarantee. Long-term financing through Nova Scotia Municipal Finance Corporation occurs twice a year and only for completed projects. Municipalities must pass a temporary borrowing resolution and obtain ministerial approval for the borrowing, including short-term borrowing from a local institution, until funding can be obtained from the long-term financing process or grant programs.

► Short-term borrowing properly approved

- 5.36 To obtain ministerial approval to borrow for capital purchases, municipalities submit temporary borrowing resolutions to the Department. Staff review the requests and complete a checklist which includes ensuring the projects are on the municipality's capital plan, municipal debt ratios are within defined limits, and the project meets the requirements defined in legislation.
- 5.37 Staff completed the checklist and recommended approval to the Deputy Minister for all 15 temporary borrowing resolutions we examined; all were subsequently approved by the Minister. While the Department's borrowing process was followed and appropriate approvals obtained, we observed several weaknesses which are discussed further below.

► Insufficient analysis of borrowing requests prior to approval

- 5.38 *Review of financial condition* – The Department's review of financial condition information in analyzing temporary borrowing resolutions is not consistent. Review of this information was documented in only five of 15 files examined. In the five files with evidence of review, the documentation varied and was sometimes difficult to interpret. Additionally, for four of the five files, the financial condition indicators used were based on 2009-10 financial information. These indicators were two to four years out-of-date when they were used and therefore not the most relevant for decision-making. We do not know whether the Department would have recommended borrowing approval had it used up-to-date information.

Recommendation 5.5

The Department of Municipal Affairs should use relevant and timely financial information to make decisions about municipal borrowing approvals.



Department of Municipal Affairs Response: Agree. DMA will ensure the review for borrowing approvals includes the following: the three year FCI; legislative review – authorized municipal purpose; consistency with debt to service ratio; and the Financial Reporting Accounting Manual (FRAM). It should be noted that there have been no defaults for more than twenty five (25) years.

► Borrowing terms not appropriately assessed against useful life of assets.

5.39 *Useful life of capital assets* – The Department does not document and compare the useful life of the proposed capital asset to the expected borrowing term when municipalities seek borrowing approval. Although the useful life is included as a requirement on the staff checklist, for nine of 15 files examined, it was not clearly documented or was deemed not applicable. The borrowing term documented was only for the temporary borrowing approval, which is 12 months. There was no documentation of the expected long-term borrowing in order to determine if the term exceeded the useful life of the asset. Nova Scotia Municipal Finance Corporation only issues long-term financing once a project is complete. If a municipality's ability to finance a project within the useful life is not considered prior to project completion, it would be too late by the time permanent financing is requested. This could increase the risk of placing a municipality in hardship to continue financing a project after the asset's useful life has expired and it needs replacement.

Recommendation 5.6

The Department of Municipal Affairs should determine a municipality's ability to finance a project within the useful life of the asset prior to borrowing approval.

Department of Municipal Affairs Response: Agree. DMA has now included this as part of the checklist and as a result, staff are verifying the useful life of the asset as part of the process for borrowing approval.

► Temporary borrowing approvals not monitored for renewal or other disposition

5.40 *Monitoring of temporary borrowing approvals* – Once a municipality receives ministerial approval to obtain short-term funding, the Department does not monitor to ensure that, once the project is complete, the short-term debt is either converted to long-term financing with the Nova Scotia Municipal Finance Corporation, funded in an alternative manner, or renewed annually if the project exceeds the twelve-month term. Department staff serve on the Nova Scotia Municipal Finance Corporation board and would have knowledge of which borrowings have been converted to long-term financing. However, without active monitoring to determine that all existing temporary borrowing approvals have been properly renewed or transferred, there is a risk that municipalities may be holding short-term debt without appropriate ministerial approval.



Recommendation 5.7

The Department of Municipal Affairs should review the status of temporary borrowing approvals annually to ensure they have been renewed or transferred to long-term borrowing, as required.

Department of Municipal Affairs Response: Agree. DMA has existing processes in place for temporary borrowing approvals and we will explore the possibility of expanding the checklist to include annual reviews as they relate to renewals or transfers to long-term borrowing to enhance our current practice.

Distribution of Grant and Program Funding

Conclusions and summary of observations

The Department of Municipal Affairs calculated and distributed formula-based funding in accordance with legislative and policy requirements. The Department did not always follow its guidelines for the application-based Provincial Capital Assistance Program. In one instance, a grant was awarded without an application. For two instances, funding was disbursed without appropriate claims documentation; although letters of agreement with funding terms were signed. We had no concerns with the Building Canada Fund claims examined.

- 5.41 *Grant and funding programs* – The Department tracks grant funding through an information management system used by several departments across government. This system allows the Department to track the approval and disbursement of funding, ensure that municipalities are not receiving grants from multiple departments for the same project without prior approval, and facilitates reporting.
- 5.42 The Department administers 23 programs which provide funding to municipalities for capital infrastructure, municipal operating grants, and community grants and programs. We performed testing on seven of the funding programs. These programs accounted for \$127.7 million (98%) of the \$130 million disbursed during 2014-15.
- 5.43 The programs examined were:
- equalization
 - grants-in-lieu of taxes on provincial property
 - grants-in-lieu of taxes on Nova Scotia Power Inc. property
 - HST offset
 - Federal Gas Tax Fund



- Provincial Capital Assistance Program
- Building Canada Fund

► Formula-based funding to municipalities met legislative requirements

5.44 *Formula-based funding* – Five funding programs are calculated and disbursed to municipalities based on formulas.

- equalization
- grants-in-lieu of taxes on provincial property
- grants-in-lieu of taxes on Nova Scotia Power Inc. property
- HST offset
- Federal Gas Tax Fund

5.45 The funding formulas use various sources of financial information provided by the municipalities, such as audited financial information returns, statements of estimates, and property valuation reports.

5.46 In the 25 samples tested from among the five programs, staff reviewed and verified the financial information. Funding was calculated appropriately based on the formulas outlined in legislation and policies.

5.47 *Funds disbursement* – The Municipal Grants Act states no grant shall be paid until the municipality has provided all information requested by the Minister. This includes the audited financial statements, financial information return, statement of estimates, and capital investment plan. The grants covered by the Act include equalization and provincial grant-in-lieu of property tax. The HST offset, Nova Scotia Power Inc. grant-in-lieu of property tax, and Federal Gas Tax Fund also have this requirement through their respective acts or agreements. In all 25 samples tested, the financial reporting requirements were met prior to funding disbursement and the amount disbursed to the municipality agreed to the amount calculated.

► Guidelines for application-based grants not always followed

5.48 *Application processes* – Both the Provincial Capital Assistance Program and Building Canada Fund require municipalities to submit applications for funding. Department staff evaluate and rank Provincial Capital Assistance Program applications to allocate budgeted funds to the municipalities for specific capital projects. There were no Building Canada Fund applications approved during our audit period, as the program was ending. We examined expense claims for previously-approved projects only.



- 5.49 We examined five Provincial Capital Assistance Program applications. In one instance, the guidelines were not followed as the Department approved funding to the municipality for a project without completing the application process. The approved project was eventually funded through another program. The municipality was allowed to use the approved Provincial Capital Assistance Program funding for a replacement project.
- 5.50 If the application process is not fully completed, it is possible funding could be awarded to a project that does not qualify or ranks lower than other projects. Following established guidelines helps ensure consistency and fairness in the funding process.
- 5.51 *Claims process* – The Department is not following the guidelines for the Provincial Capital Assistance Program claims process. The guidelines require a claim form be submitted for completed work prior to funding disbursement. Two of the five Provincial Capital Assistance Program files examined were paid prior to claims being filed. The Department stated the funding was disbursed because the projects were not completed within the same year in which the funding was budgeted. The two municipalities signed letters agreeing to funding terms. We had no concerns with the five Building Canada Fund claims we examined.

Recommendation 5.8

The Department of Municipal Affairs should follow program guidelines for the funding application and claims processes. The guidelines should be updated to address project funding for work not completed within the funding year.

Department of Municipal Affairs Response: Agree. As part of the new Grants Management System, DMA will update the program guidelines including project funding for work not completed within the funding year.