

**9.****HOUSING AND MUNICIPAL AFFAIRS -  
INFRASTRUCTURE WORKS PROGRAM****BACKGROUND**

**9.1** In early 1994 the Federal government entered into an agreement with each province and territory to implement the Canada Infrastructure Works Program. The Canada/Nova Scotia Infrastructure Works Agreement was signed on January 14, 1994 and its purpose is to:

- *“renew and enhance the quality of Canada’s and Nova Scotia’s infrastructure which is instrumental in the provision of public services, notably in local communities; and*
- *provide for timely and effective employment creation.”*

**9.2** The financial and operating responsibilities of the parties involved are outlined in the Agreement and are illustrated in Exhibit 9.2. The responsibilities of Nova Scotia and the Federal government are exercised through a Management Committee which consists of four members, two of whom are appointed Federally and two by the Province. The Committee is headed by a Provincial Co-chair and a Federal Co-chair, each of whom are deputy ministers, and both co-chairs must agree on a decision before the Committee may act upon it.

**9.3** The Federal implementing agency for the Program is the Atlantic Canada Opportunities Agency (ACOA). Federal contributions to the Program will total \$68.8 million and have been budgeted for receipt until March 31, 1998. The remaining 2/3 funding will come from Provincial and other sources. The Province plans to contribute \$68.6 million over the same period through the budget of the Department of Housing and Municipal Affairs (formerly the Department of Municipal Affairs). Another \$68.6 million will be spent by project proponents which are municipal units and non-municipal organizations.

**9.4** Funds were to be disbursed in each of the three years of the Program although only 15% of the total was to remain for distribution in 1996-97, the third year of the Program. This restricted schedule influenced the projects selected for funding under the Agreement as Federal funds had to be expended by March 31, 1997. This date was revised through subsequent amendments to the Agreement to March 31, 1999.

**9.5** Over 700 applications from municipal units and other applicants in Nova Scotia have been received to date and 316 projects have been approved for funding. The funding for most projects is shared equally among the Federal, Provincial and duly-elected municipal governments. The majority of projects will be owned by municipal units upon completion, however, the Province has contributed approximately \$8.8 million to 47 projects which will be owned by non-municipal organizations including \$3.7 million in university projects.

**9.6** The Program has been subjected to an extensive audit by the Auditor General of Canada and many observations from that review, dated November 1996, have been included in this chapter. The Program has also been audited by the Audit & Evaluation branch of ACOA and the report resulting from that assignment was released in June 1996.

**9.7** In February 1997 the Province announced that an amendment was to be made to the Agreement to provide for additional funding. The Federal government will contribute \$14.3 million to the Program during the period April 1, 1997 to March 31, 1998. The Province, and municipal and non-municipal entities, will provide the remaining 2/3 funding, for a total investment of at least \$42.8 million.

## RESULTS IN BRIEF

**9.8** The following are the principal observations from our review.

- The results of Program funding to date indicate that about 72% of the projects address core infrastructure needs (sewer, water and transportation). The majority of the remaining projects are described as meeting community needs such as fire stations, church improvements, and recreational facilities. The Agreement defined infrastructure as “*physical capital assets in Canada instrumental in the provision of public services.*” The Auditor General of Canada has noted that this definition allows for a broad interpretation of infrastructure. The definition in the Agreement is not precise enough for us to conclude on whether it extends to all community needs projects.
- The Department of Municipal Affairs consulted with the Departments of Health and Environment to determine water and sewer needs for the Province. The most significant sewage problems identified through this process were dealt with through the Program.
- The Management Committee should establish an audit process to ensure that proponents comply with the terms and conditions of the Agreement, particularly with respect to awarding and monitoring contracts for goods and services.
- An evaluation of the Program has been completed by an external consultant and it notes that the actual jobs created for projects examined are significantly lower than the estimates provided at the time of project application. For example, the eight approved projects in Halifax were estimated to yield 325 short-term jobs; the contractors interviewed as part of the evaluation estimated that 203 jobs, or 60% were actually created. In one instance, a project was estimated to yield 140 short-term jobs but it was estimated that 35 jobs, or 25% were actually created.
- Documents made available to the public which attribute job creation to the Program should indicate that these statistics are based on estimates. The January 1997 Program Newsletter notes for the first time that job statistics are based on the Statistics Canada input/output model.
- Applications were evaluated by Departmental staff in order to determine which projects should be nominated. Although specific criteria were addressed in this evaluation, we were unable to conclude on the appropriateness of the evaluation process as there was insufficient documentation in project files. There was also insufficient evidence to support the Department’s assessment of the reasonableness of project costs although in some cases there were consultants’ reports to support these costs.
- Policies and procedures were developed by Departmental staff for the review and processing of project claims for Federal/Provincial funds. While we noted instances

where there were departures from these policies and procedures, in general the claim process was adequate.

## AUDIT SCOPE

**9.9** The objectives of this assignment were to:

- review and assess the management of the Program, including planning, monitoring and reporting;
- review the project approval process and assess the adequacy of the documentation;
- select a sample of projects and test them for compliance with established guidelines; and
- test the process for submitting cost recovery claims to ACOA to ensure the Province recovered these funds on a timely basis.

**9.10** Our approach included interviews with staff at the Department of Housing and Municipal Affairs, and a review of information made available to us. We tested 70 of the 314 projects approved to August 1996 for compliance with specific provisions of the Agreement and with established policies and procedures.

## PRINCIPAL FINDINGS

### *Roles and Responsibilities*

**9.11** Exhibit 9.2 outlines the roles and responsibilities of the Federal and Provincial governments, and project proponents. The responsibilities of the Management Committee are noted in the Agreement. A review of the minutes of the Management Committee meetings indicates that a process was defined for the approval of nominated projects. Guidelines for the eligibility and assessment of projects were reflected in the Program information packages.

**9.12** Roles and responsibilities for Departmental staff included application review and selection, and recommendation to the Provincial Co-chair for nomination to the Management Committee. Staff also administered the Program and performed functions such as project tracking, cash-flow management, claiming Provincial funds owed by the Federal government, communication and other functions.

**9.13** We were told that the time frame of the Program influenced the development of policies and procedures. For example, projects requiring extensive pre-design engineering and environmental work were not considered since these processes would have exceeded the original Program completion date of March 31, 1997.

### *Project Selection*

**9.14** *Project eligibility* - The Agreement defines infrastructure as “physical capital assets in Canada instrumental in the provision of public services.” The November 1996 Report of the Auditor General of Canada noted the following.

*“This definition allows for a very broad interpretation. It was used, for example, to justify assisting investment by firms involved in private sector or quasi-private sector activities such as recreational services...and extending natural gas distribution networks to private consumers... Traditionally, infrastructure assistance programs have focussed on the public sector. The scope of government assistance for infrastructure development merits clarification in any future federal-provincial agreements for programs of this type.”*  
(Paragraph 26.41)

**9.15** The definition of infrastructure was not articulated in detail by the Management Committee but there was some clarification provided and communicated in the General Program Information sheet included in the information package distributed to Provincial municipal units. Infrastructure for purposes of the Canada-Nova Scotia Agreement is defined in terms of Provincial priorities and is described as follows.

*“The Nova Scotia provincial priorities for the Infrastructure Works Program are the core infrastructure areas of municipal solid waste disposal and water supply and municipal transportation infrastructure. Other priority projects for consideration are high technology for municipal services and community needs projects.”*

**9.16** These priorities were established within the Department through consultation with other Provincial departments. File documentation at the Department indicates verbal approval by ACOA of the information packages before they were distributed. This distribution was noted at the Management Committee meetings.

**9.17** *Allocation to geographic areas* - Funds were allocated to the 18 counties within the Province based on a formula which considered population and unemployment factors within each county. Staff noted that the result of this allocation method was that 18 infrastructure programs were run simultaneously. Universities within Nova Scotia were also asked to submit applications for projects eligible under the Program. Funds for university projects were taken from the allocation of the county in which the university is located.

**9.18** Municipal units within each county submitted applications to the Department for projects they wished to have funded through the Agreement. In addition to municipal units, other entities applied to receive funding for projects which were of a community nature. In order to be considered, there had to be support from the respective municipality for these projects as the funds came out of that county's allocation.

**9.19** Several municipal units indicated priorities for the projects for which they applied. Although Departmental staff indicated that they challenged priorities of certain municipal units, no projects were nominated which had not been applied for or supported by a municipal unit, and projects were considered by the Department based on the priorities noted by the municipal units and the ability of the applicant to fund its share of the project.

**9.20** *Application priorities* - Staff indicated it was not possible to analyze and prioritize core infrastructure needs on a Province-wide basis. There was insufficient information to develop a Province-wide priority list for transportation needs. Staff worked closely with the Departments of Health and Environment (DOH and DOE) to develop lists of water and sewer projects which reflected those Departments' priorities at that time.

**9.21** The core infrastructure needs of municipal units were considered by Departmental staff when applications were reviewed in the first few months of the Program. Staff from DOE and DOH were also involved in the discussion of projects to be nominated to the Management Committee. Although there was a list reflecting Provincial priorities for water projects, we were informed that

water projects were not given the same priority as sewer projects as there is a mechanism, through water rates, to finance these projects.

**9.22** Applications were reviewed numerous times and, in continuous consultation with DOE and DOH, Departmental staff recommended core infrastructure projects from the remaining applications. The priority of a project to a municipality, the availability of Program funds and the timing of the project were also considered. A review of the projects funded under the Program indicates that many of the top sewage priorities identified by DOE were met to a great extent. We observed that of the 178 projects nominated between February and May 1994, 150 or 84% were projects addressing core infrastructure needs.

**9.23** The Province has approved 316 projects and contributed \$67.9 million to the Program as of February 28, 1997 and the amount is distributed as illustrated in Exhibit 9.1.

**9.24** *Project evaluation and approval* - The Agreement notes that the Management Committee is to assess all nominated projects. The Committee meeting minutes indicate discussion on some specific nominated projects. Background information would have been provided verbally on each nominated project as well as a completed Project Evaluation Summary, and we have been informed that each project was discussed to some extent. All projects were nominated to the Committee by the Provincial Co-chair as is required by the Agreement. These nominations resulted from recommendations of Departmental staff who performed the detailed project evaluations.

**9.25** Applications were assessed according to the criteria noted in the Agreement and the result of the assessment process was a Project Evaluation Summary. These criteria included, among others, the incrementality or acceleration of a project because of the Program, the number of short and long-term jobs created by that project, and enhancing environmental quality and sustainability. Staff indicated that they also assessed each project against the first priority which was whether the project provided for renewed infrastructure.

**9.26** Although each of these criteria was evaluated by the Department for projects to be nominated, there is no documentation in project files to support this evaluation. Applicants were not asked to address each criteria in their applications. For example, we were unable to determine the incrementality or acceleration of individual projects because the municipal units were not required to submit capital budgets with their applications. With respect to this particular criteria, staff noted that the incrementality and acceleration of many projects were questioned by ACOA, and staff followed up the issue with the project proponent. However, there is no file documentation to support this process.

**9.27** In our view, there should be adequate documentation in project files to support the conclusions of the Department in recommending projects for nomination. A lack of documentation was also noted by the Auditor General of Canada as a result of that Office's Canada-wide examination of files maintained by the Federal departments involved:

*“While some proposals for large and complex projects contained more detailed analysis...Most of the 200 project proposals we examined [nationally] lacked persuasive analysis of the projects against selection criteria.” (Paragraph 26.70)*

*“For example, in determining whether projects would represent additional [incremental or accelerated] investment by a municipality over and above what would otherwise have occurred, federal representatives often accepted provincial assessments [that were] made simply on the basis of a declaration by the applicant, without any supporting information or analyses.” (Paragraph 26.73)*

### ***Implementation and Monitoring***

**9.28** As noted in paragraph 3.3 of this Report, the *Policy on Government Procurement* does not apply to municipalities. Section 5 of the Agreement details procedures to be followed when contracts for goods and services are entered into for projects approved for Program funding. These procedures, along with others including the right of the members of the Management Committee or their representatives to inspect the terms of the contract, are described in Schedule C to the Agreement. Project proponents must sign this and Schedule A and return them to the Department before receiving any Program funds. The definition of costs eligible for funding under the Agreement is also noted in Schedule C.

**9.29** In our view, Management Committee should have established an audit process to ensure that contracts for procurement of goods and services were awarded in accordance with the Agreement and that funds were spent for the intended purposes. This process should be independent of the administrative procedures undertaken by staff to ensure compliance. Our concerns regarding deficiencies in monitoring contracts are supported by comments from the Auditor General of Canada:

*“...the Canada Infrastructure Works Program is a contributions program...Contribution agreements are subject to audit to satisfy the implementing federal departments that all conditions, financial and non-financial, have been met.”* (Paragraph 26.46)

*“We found, however, that the [federal-provincial] agreements do not clearly identify roles and responsibilities for providing ongoing monitoring and performance information and carrying out audits.”* (Paragraph 26.47)

**9.30** We are aware that certain projects have been monitored but that this was not done as part of an audit process to ensure compliance with the Agreement. We also understand that there are established industry practices regarding the receipt of permits and licences, particularly with respect to construction projects. However, given the accountability requirements inherent in an agreement of this nature, we recommend that a monitoring system be established, and that the Department's internal audit group implement this system. We noted that the draft amendment to the Agreement covering additional Program funds to March 31, 1998 requires the Management Committee to approve an audit plan for the Program.

**9.31** We were pleased to note that the Department requires the costs of completed projects to be audited by a registered municipal auditor and reported on a Final Claim form. In future, the audit should determine whether the costs comply with the terms of the Agreement and there should be a requirement for on-site inspection as part of the municipal audit process.

### ***Outcome Measurement***

**9.32** *Program evaluation* - An evaluation of the Program is required under Section 9.0 of the Agreement. An evaluation was performed by an independent consultant selected by the Management Committee and the resulting report was released in June 1996.

**9.33** The purpose of the evaluation was to assess the impact of the Program against its primary objectives of job creation and improvements to infrastructure in Nova Scotia. Three municipal units were selected for the evaluation - the Town of Digby; the City of Halifax; and the Municipality of the County of Victoria. Each unit was evaluated against similar criteria - how the unit selected the projects for which it applied; the extent of incrementality of the projects undertaken; and the impact of the Program on areas such as the local economy and employment in the municipal unit.

**9.34** The evaluation report notes that all three units submitted applications for projects they considered to be priorities. Approved projects in Halifax and Victoria initiated by non-municipal organizations represented 9% or less of total Program funds for these units. In terms of assessing whether approved projects were incremental, the report concludes that projects ranged from partially to fully incremental, the latter being those projects which would not have taken place without funds provided by the Program.

**9.35** In evaluating the impact of the Program on employment in each of the municipal units, the report notes that, for two of the three units, the number of actual jobs created from the projects undertaken was significantly lower than the estimates provided at the time of application. For example, the eight approved projects in Halifax were estimated to yield 325 short-term jobs; the contractors interviewed as part of the evaluation estimated that 203 jobs, or 60% were actually created. One specific project was estimated to create 140 short-term jobs but it was estimated that 35 jobs, or 25% were actually created.

**9.36** It should be noted that in addition to the primary objectives of the Program as indicated in paragraph 9.1, there were secondary objectives such as upgrading and maintaining worker skills and developing new technologies. The evaluation did not address these secondary objectives and therefore we cannot comment on the extent to which they were met.

**9.37** *Program reporting* - Regular reports are prepared by staff at the Department for the Deputy Minister and a report is also prepared on a quarterly basis for the Minister's briefing book. Details of the Program are noted in the Department's Annual Report and *Government By Design* and in a joint newsletter of the Department and ACOA titled *Nova Scotia at Work* which is published on the anniversary date of the signing of the Agreement.

**9.38** With the exception of the report prepared for the Deputy Minister, all other documents provide statistics on job creation. The job creation figure is obtained from the estimates for short and long-term jobs noted on the application forms submitted for each project. These estimates may be reviewed by senior staff at the Department for reasonableness, but they are not updated to reflect the current employment situation as the project progresses.

**9.39** Our concern regarding the accuracy of the job creation statistic used in reporting on Program results is supported by the findings of the Program evaluation as noted in paragraph 9.35. The accuracy of job creation statistics reported to the public is also an issue discussed in the Report of the Auditor General of Canada. That Report notes that the program's employment effects are calculated using a Statistics Canada model which considers both on-site and off-site employment benefits. The Report notes:

*"In the context of this audit, the issue is not the reliability of Statistics Canada data. Rather, the issue is the appropriateness of relying exclusively on this approach to determine the amount of employment created directly by the program. We believe there are sound reasons for supplementing the on-site employment estimates derived from using the Statistics Canada approach with other sources of information, including operational data from ongoing monitoring of individual projects."* (Paragraph 26.106)

*"In addition, we believe the limitations of the estimates ought to be pointed out in reporting them to the public ..."* (Paragraph 26.106)

**9.40** We noted that the newsletter published in January 1997 indicates that job creation statistics are based on the Statistics Canada model.

### ***Compliance with Agreement***

**9.41** We reviewed 70 approved projects for compliance with the Agreement and with established policies and procedures. In addition, we assessed the adequacy of documentation in the approval process, and determined whether the selected projects were undertaken with due regard for economy and efficiency.

**9.42** *Application/approval process* - Section 3.5(b) of the Agreement notes that projects will be nominated by the Provincial Co-chair and that they will be evaluated by technical experts. The timing and nature of this evaluation is unclear from the Agreement.

**9.43** Department staff completed a Project Evaluation Summary for each nominated project as noted in paragraph 9.24. Staff providing input to the Summary included professional engineers and others knowledgeable of municipal infrastructure requirements. In 50 of the 70 projects we tested, the Summary was supported by design studies or other external consultants' reports. Studies were not present for all projects of a similar nature. It is not clear whether the completion of the Project Evaluation Summary for projects for which there was no additional external support satisfies the requirement of a technical evaluation per the Agreement.

**9.44** A formal cost analysis for each project was not prepared. This would include a review of cost components including labour and materials. We were informed that staff assessed the reasonableness of some project costs by comparing them with similar projects although there is no documentation of this process. Project costs were supported by external consultants' reports in 37 of the projects we tested.

**9.45** We noted that in the two instances where the Department had required certain conditions to be met prior to funds being advanced, there was no documentation in the project files to indicate that the project proponent had met these conditions.

**9.46** As noted in paragraph 9.28, Schedule A must be signed by the project proponent and returned to the Department before any funds are advanced for an approved project. We noted one instance where a revised Schedule A - Project Authorization Summary was not signed by a municipal representative before project funds were advanced. We also noted that Schedule C was not present in six of the 70 project files we reviewed.

**9.47** Finally, 14 projects we reviewed were funded completely or in part by non-municipal organizations. For nine of these projects, there was nothing in the project file to indicate that the ability of these organizations to finance their share of the project costs had been verified.

**9.48** *Procurement process* - We requested project proponents provide us with documentation to enable us to determine, for our sample items, whether a competitive process was in place for the significant contracts awarded and whether the lowest qualified bid was accepted. We limited our procedures to the largest contract associated with the project.

**9.49** We received 49 responses to the 58 requests we made (there were 9 projects for which interim claims had not yet been submitted and 3 projects for which only a project manager had been selected to date) and noted that for 44 of these responses, or 90%, there was a competitive process and the lowest bid was accepted. In 5 instances, the contract was sole sourced.

**9.50** *Claim process* - Although the Agreement defined eligible costs, it did not provide much guidance with respect to the claim process. We noted that the Department established clear policies and procedures with respect to submitting and reviewing claims, including further clarification of eligible costs.



**9.51** A detailed review process which identified ineligible costs claimed and any errors in the claims submitted was developed by Departmental staff. The claim forms and supporting documentation were reviewed in detail for the eligibility of costs claimed, mathematical accuracy, etc. Evidence of these reviews was provided on the claim forms. In addition, staff relied on the review provided by professional engineers on construction progress claims and the fact that each claim form was approved by a municipal signing authority as evidence of a further check on cost eligibility.

**9.52** In order to facilitate the completion of the project audit by a municipal auditor, the Program Administrator established a practice of holding back funds on the last claim submitted before the Provincial and Federal shares reached their maximum, regardless of whether there was also a construction holdback. Unfortunately, this practice could not be applied when projects were completed under budget. The Final Claim form described in paragraph 9.31 must still be signed and submitted for each project.

**9.53** We noted that there is inadequate segregation of duties for the processing of payments to municipalities and other project proponents. A person independent of the claim review process should be responsible for receiving the cheques from the Provincial Department of Finance, and distributing these cheques to project proponents for the recovery of the Federal and Provincial portion of project costs.

**9.54** Our review of 482 claims for the 70 projects sampled revealed several deficiencies of an administrative nature and we have discussed these with Department staff. We also detected monetary errors in 28 claims or supporting invoices but noted that the total error was insignificant in light of total Program expenditures.

### ***Reimbursement Process***

**9.55** The Province submits claims to recover the Federal portion of project costs on a monthly basis. We tested 19 of the 46 claims submitted to date and our tests indicated that the claims were properly approved, supported, accurate and remitted on a timely basis. Funds were received from ACOA within one to three months of the submission of the claim. We noted that the individual responsible for preparing the claims also receives the resulting cheques from the Federal government. We recommended that the cheques be received by an individual independent of claim preparation and this change has been implemented.

### ***Osprey Ridge Golf Course***

**9.56** The Province has contributed toward the first phase of a project for an 18-hole golf course in Lunenburg County. This phase involved clearing and grading land in preparation for further course development. Construction costs for the balance of the project are being financed by the Municipality. This project has received a significant amount of media and political attention and therefore we reviewed the Province's involvement in the project through the Program.

**9.57** The golf course will be operated by a private club although one condition of funding approval under the Agreement is that it be accessible to the public. The golf club is not required to contribute any funds until the course starts operating.

**9.58** The land being used for the golf course is owned by the Municipality and will be purchased by the golf club at its fair market value of \$500,000. Payments will be made annually from 2002 to 2011 although these payments will not include interest.

**9.59** In addition, the Municipality has borrowed \$2.5 million from Municipal Finance Corporation. This amount, plus interest, will be repaid to the Municipality over 20 years by the golf club. Title to the golf course transfers to the golf club when the loan is repaid.

**9.60** The Province's involvement in the golf course project was similar to its involvement with other projects funded under the Program:

- the project was proposed by and was a priority of the Municipality as a community needs project (see paragraphs 9.14 and 9.18);
- the Department reviewed the Municipality's ability to pay its share of project costs;
- the project was approved by the Management Committee with certain terms and conditions noted in Schedule C - Terms and Conditions, and Schedule D - Federal Environmental Screening Report; and
- the Municipality agreed to abide by the terms and conditions of the Agreement.

**9.61** Environmental issues and the process used by the Municipality to approve and secure financing for the project are drawing attention to this project. As noted previously, our audit objectives did not include a review of municipal practices and therefore we cannot comment on the appropriateness of the Municipal approval process or the ability of the Municipality to finance this project. As noted in paragraph 9.49, we requested support for procurement of the largest contract (golf course construction) and determined that there was a competitive process and the lowest qualified bid was selected.

**9.62** In terms of environmental issues, our procedures were limited to ensuring that the Federal Environmental Screening Report had been completed for the items in our sample, which included this project. The final approval letter provided to the proponent indicated that the final approval package would be forthcoming. The package was provided about six months later and included the Screening Report. A review of the invoices submitted for reimbursement indicates no significant work with respect to this phase of the project had taken place prior to the provision of that Report.

**9.63** A representative from the Department of Environment made site visits to determine whether general Provincial environmental regulations were being followed (note that there are no Provincial environmental regulations concerning golf courses). The DOE Regional Manager then gave clearance to project invoices based on these reviews.

**9.64** In addition, Federal funds were withheld until environmental issues were resolved. A portion of these funds (\$300,000 of the \$450,000 Federal contribution) was released in mid-December; the remaining \$150,000 will be released once outstanding Federal environmental requirements have been met.

**9.65** This project was applied for by the Municipality after funds became available due to the withdrawal by the Municipality of a sewer project which had been previously approved by the Management Committee. Our concern regarding the approval of the golf course project is that there was an outstanding application predating that of the golf course for which there appeared to be adequate remaining funding in the County's allocation. This application was for a \$2.1 million water supply project in Lunenburg County. The Department did not challenge the Municipality's decision to advance the golf course over the water supply project.

**CONCLUDING REMARKS**

**9.66** The Program has addressed a number of core infrastructure needs identified by municipal units throughout the Province. The Departments of Environment and Health were consulted as project applications were reviewed and we noted that the top sewer projects were dealt with to a large extent through the Program.

**9.67** The Agreement defined infrastructure as “*physical capital assets in Canada instrumental in the provision of public service.*” The Federal Auditor General has noted that this definition allows for a broad interpretation of infrastructure. The definition in the Agreement is not precise enough for us to conclude on whether it extends to all community needs projects.

**9.68** An audit process needs to be established by the Management Committee to ensure there is compliance with terms and conditions of the Federal-Provincial Agreement and also agreements with municipalities related to individual projects. This monitoring would help fulfill the accountability requirements to the Federal government for expenditures under this Program, and provide economy and efficiency in the expenditure of Provincial funds.

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*Exhibit 9.1*

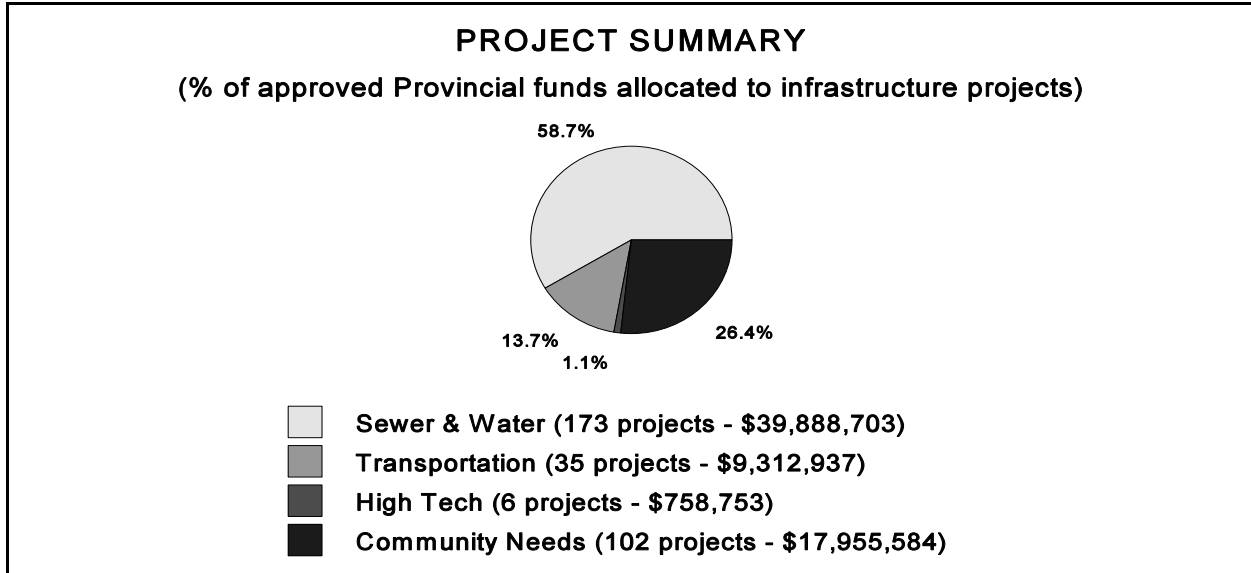


Exhibit 9.2

