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From: Stephen A. Ward
Executive Director
Internal Audit & Advisory Services

Re: 2018/19 Audit of Clean Water and Wastewater Program Funding Recipients

We are pleased to provide you with our report on the 2018/19 audit of Clean Water and Wastewater Fund (CWWF) Program made under the Bilateral Agreement that was signed in September 2016. Under the Bilateral Agreement, both the provincial and federal governments have committed \$225.1 million and \$148.5 million respectively in support of 180 approved CWWF projects to communities across British Columbia.

The Ministry of Municipal Affairs and Housing requested Internal Audit and Advisory Services to audit a sample of pre-selected projects during the 2018/19 fiscal year. The ministry's program staff selected projects to be audited using a risk-based approach based on factors such as the size and nature of the project, capacity of the grant recipient and geographic location. For 2018/19, 10% of the approved CWWF projects were targeted for audit based on the factors above.

The purpose of this engagement was to provide reasonable assurance to the Ministry that the CWWF project costs:

- Complied with the terms and conditions set out in shared cost agreement between the Province and local government; and
- Were supported by appropriate documentation.

\$32,037,377¹ in total costs were submitted across the 18 projects audited and overall, there was a high level of compliance with the program eligibility requirements. Nine proponents were found to have submitted ineligible² costs with an aggregate total of \$114,587, which represents less than 0.5% of total costs tested.

Please find detailed observations and recommendations below, along with the list of projects selected for audit in Appendix 1.

¹ As of August 31, 2018

² Does not include costs that were eligible in nature but submitted prior to work being performed or invoice being paid

Observations and Recommendations

The following table identifies three types of audit findings with our recommendations proposed based on the findings noted. A list of detailed comments and recommendations pertaining to each proponent has been provided to Program management to follow-up where necessary.

Summary of Findings	No. of Instances (out of 18)	Recommendation
1. GST improperly claimed.	4	Reduce payment for future claims to offset previous overpayments.
2. Costs submitted prior to work performed or invoice being paid by proponent.	3	Remind proponents that costs must be incurred and paid prior to submission.
3. Over/under claiming of expenses.	6	Adjust for future claims based on audit findings.

Note: One proponent may have one or more recommendations for which management should consider.

We would like to thank the management and staff of the Ministry of Municipal Affairs and Housing as well as the representatives of the projects we audited, for their assistance and cooperation throughout this audit.



Stephen A. Ward, CPA, CA, CIA
Executive Director
Internal Audit & Advisory Services

Distribution List:

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Ministry of Municipal Affairs and Housing

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Director
Local Government Infrastructure & Finance
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Financial Program Manager
Local Government Division
Ministry of Municipal Affairs and Housing

Lee Johnson
Infrastructure Resource Officer
Local Government Division
Ministry of Municipal Affairs and Housing

Appendix 1 – List of Projects Selected for Audit

Project Number	Approved Eligible Costs	Combined Prov./Fed. Share	Total Submitted Costs ¹ as of Aug. 31 ²	Total Ineligible Costs ¹
C40088	\$1,697,800	\$1,409,174	\$1,832,183	\$37,110
C40098	3,397,000	2,819,510	188,194	--
C40049	3,132,191	2,599,718	2,196,484	--
C40148	2,106,000	1,747,980	985,901	--
C40064	5,800,000	4,814,000	3,702,528	--
C40031	2,933,500	2,434,805	2,171,340	--
C40127	216,300	179,529	11,664	--
C40004	1,360,354	1,129,093	657,235	--
C40055	82,700	68,641	48,170	(315)
C40236	7,000,000	5,810,000	3,323,202	146
C40123	1,020,000	846,600	709,745	15
C40145	7,304,974	6,063,128	4,692,374	78,658
C40128	1,415,000	1,174,450	1,247,584	--
C40003	1,930,000	1,601,900	1,608,783	893
C40057	560,000	464,800	235,815	(332)
C40018	3,166,680	2,628,344	3,167,040	--
C40195	3,579,500	2,970,985	3,214,936	--
C40233	2,513,025	2,085,810	2,044,199	(1,588)
Total	\$49,215,024	\$40,848,467	\$32,037,377	\$114,587

¹ All amounts rounded to the nearest dollar

² A sample of costs up to August 31, 2018 were tested

Appendix 2 – Detailed Action Plan

Rec. #	Recommendations	Management Comments (Action Planned or Taken)	Target Date
1.	Reduce payment for future claims to offset previous overpayments.	<ul style="list-style-type: none">Adjustments will be made as future claims are submitted	March 31, 2019
2.	Remind proponents that costs must be incurred and paid prior to submission.	<ul style="list-style-type: none">Notifications to be sent out with new Periodic Progress Reports (January 2019) and Budget Forecast Report (December 2018) emailsWill update claim instructions on the LGIS Learning Centre website	January 2019
3.	Adjust for future claims based on audit findings.	<ul style="list-style-type: none">Underway and addressed through pending and future claims to be submitted	March 31, 2019

The Detailed Action Plan represents the responses by the Ministry of Municipal Affairs and Housing to the issues identified and the three recommendations detailed in the Clean Water and Wastewater Program audit: This document was prepared by the Ministry of Municipal Affairs and Housing and submitted to Internal Audit & Advisory Services to be included as an Appendix to the report.