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376113

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

Re: 2018/19 Audit of New Building Canada Fund – Small Communities Fund
Transfers Under Agreement

We are pleased to provide you with our report on the 2018/19 audit of New Building Canada Fund – Small Communities Fund (NBCF–SCF) Transfers Under Agreement. The NBCF–SCF was established under Canada’s 2013 Economic Action Plan and was launched on October 22, 2014. Under the NBCF–SCF Agreement, both the provincial and federal governments have committed \$109 million each in support of local government infrastructure projects to communities with populations of less than 100,000 people.

The main objectives of the program are to promote economic growth, a clean environment and building stronger communities. Funding is directed towards a wide range of community projects, including drinking water and waste water systems, green energy and highways and major roads, among others.

The Ministry of Transportation and Infrastructure, in conjunction with the Ministry of Municipal Affairs and Housing requested Internal Audit and Advisory Services audit eight¹ infrastructure projects under the NBCF–SCF program, 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, and grant recipient capacity, history and geographic location.

The purpose of this engagement was to provide reasonable assurance to the Ministries that the SCF 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.

Overall, there was a high level of compliance with the program eligibility requirements. We audited a sample of claims from the \$61,338,674² in total costs submitted

¹ IAAS selected 8 projects for audit out of 12 that had been pre-selected by the Ministry

² As of August 31, 2018

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.

<i>Summary of Findings</i>	<i>\$ Value of Findings</i>	<i>Recommendation</i>
1. Costs submitted prior to work performed or invoice being paid by proponent	\$48,211	Remind proponents that costs must be incurred and paid prior to submission
2. Over/under claiming of expenses	\$60,838	Adjust future claims based on audit findings*
3. Inconclusive due to insufficient documentation provided	\$755,805	Remind proponent of the documentation needed to support costs claimed under the program

**No adjustment necessary for 2 of 4 grant recipients who have submitted sufficient excess eligible costs to offset ineligible costs.*

For a list of projects selected for audit see Appendix 1.

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



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Appendix 1 – List of Projects Selected for Audit

Proponent	Approved Eligible Costs	Combined Prov./Fed. Share	Total Submitted Costs ¹ as of Aug. 31 ²	Insufficient Evidence Provided	Costs Claimed Prior to Being Eligible for Reimbursement	Ineligible Costs ¹
N20011	\$12,563,750	\$8,375,832	\$12,841,903	--	\$48,211	\$1,001
N20215	4,981,340	3,320,892	4,675,889	--	--	(10)
N20010	22,352,570	14,901,712	21,208,978	\$755,805	--	59,172
N20026	6,579,086	4,386,056	5,900,599	--	--	--
N20006	7,275,155	4,850,102	7,283,231	--	--	--
N20098	3,272,551	2,181,700	3,606,893	--	--	675
N20133	5,170,000	3,446,666	4,914,962	--	--	--
N20115	1,165,291	776,860	906,219	--	--	--
Total	\$63,359,743	\$42,239,820	\$61,338,674	\$755,805	\$48,211	\$60,838

Note: A total of \$52,772,585 in costs were tested.

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.	Remind proponents that costs must be incurred and paid prior to submission	<ul style="list-style-type: none"> N20011 Proponent has been reminded that costs must be incurred and paid prior to submission. 	Completed
2.	Adjust future claims based on audit findings	<ul style="list-style-type: none"> N20011 Proponent over claimed, but as the project was over budget, there was sufficient other eligible expenses to offset the over claimed amount. No further action required. N20215 Proponent under claimed and will make an adjustment on the next claim. N20010 Proponent over claimed and will make an adjustment on the next claim. N20098 Proponent over claimed, but as the project was over budget, there was sufficient other eligible expenses to offset the over claimed amount. No further action required. 	<p>Completed</p> <p>Dec. 31, 2018</p> <p>Dec. 31, 2018</p> <p>Completed</p>
3.	Remind proponent of the documentation needed to support costs claimed under the program	<ul style="list-style-type: none"> N20010 Proponent will be reminded of the necessary documentation required to support claims and the proponent will be asked to request additional documentation from supplier. 	Dec. 31, 2018

The Detailed Action Plan represents the responses by the Ministries of Transportation & Infrastructure and Municipal Affairs and Housing to the issues identified and the three recommendations detailed in the Small Communities Fund audit: This document was prepared by the Ministries of Transportation and Infrastructure and Municipal Affairs and Housing and submitted to Internal Audit & Advisory Services to be included as an Appendix to the report.