

## Chapter 5

# Government Relations—Recommending Infrastructure Projects for Funding

### 1.0 MAIN POINTS

The Ministry of Government Relations administers, on behalf of the Provincial Government, various federal-provincial infrastructure funding agreements. As part of this administration role, it recommends infrastructure projects to the Federal Government for federal-provincial funding. The Ministry uses the same basic recommendation process for all federal-provincial infrastructure agreements it administers.

For the 12-month period ended January 31, 2018, the Ministry had, other than the following areas, effective processes to recommend eligible projects for funding under two federal-provincial infrastructure agreements. The Ministry needs to:

- Consistently document rationale for key decisions made (e.g., decisions on why a project is recommended over others). Documented rationale can help the Ministry defend its key judgements and readily show it treated applicants for funding fairly and equitably.
- Make publicly available the factors it uses to determine which eligible projects to recommend for funding. Making this information available helps the Ministry demonstrate that it has transparent processes and helps it ensure processes are sustainable (i.e., in the event of key personnel turnover).
- Independently review project ratings. Project ratings are a critical component of the Ministry's processes to recommend projects for funding. Independent review can help reduce the risk of projects being rated inconsistently or incorrectly. In addition, it would help the Ministry continue its processes in the event of key personnel turnover.
- Have a strategy to notify unsuccessful applicants. Without timely communication, the applicant's ability to make timely decisions about their projects may be impaired.

### 2.0 INTRODUCTION

This chapter provides the results of our audit of the Ministry of Government Relations' processes to recommend eligible projects for funding under federal-provincial infrastructure agreements.

The Ministry of Government Relations is responsible for municipal relations, public safety, and First Nations, Métis, and northern affairs. Its responsibilities include planning for and responding to opportunities and challenges of growth; providing leadership and direction so that integrated public services are available to communities and their residents; and supporting responsible governments.<sup>1,2</sup>

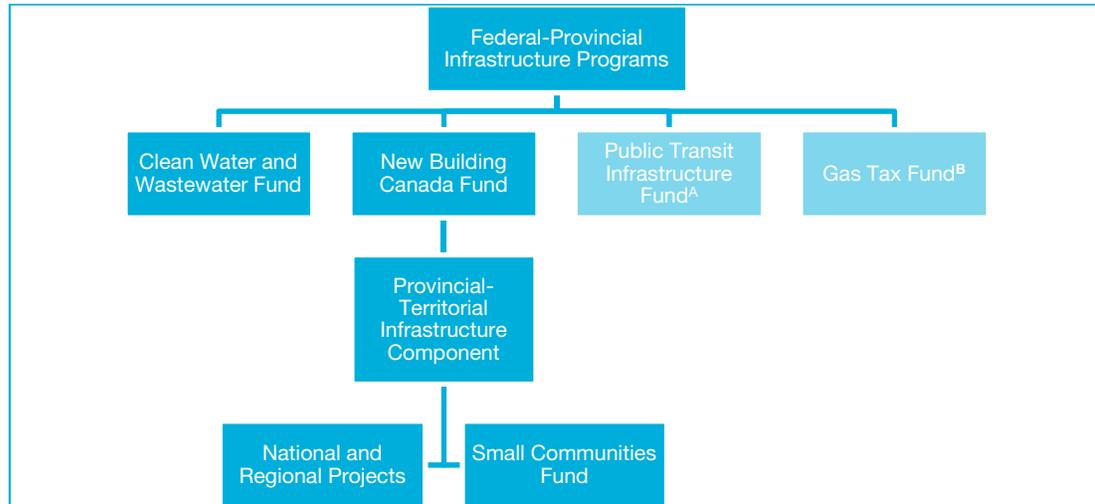
<sup>1</sup> *The Ministry of Government Relations Regulations* established under *The Executive Government Administration Act*.

<sup>2</sup> *The Ministry of Government Relations Plan for 2017-18*, p. 5; and the *Government of Saskatchewan 17-18 Estimates*, p. 69.



The Ministry administers, on behalf of the Provincial Government, various federal-provincial infrastructure funding agreements.<sup>3,4</sup> See **Figure 1** for agreements and related programs in effect in 2017.

**Figure 1 – Ministry of Government Relations 2017 Federal-Provincial Infrastructure Programs**



Source: Provincial Auditor Saskatchewan based on infrastructure agreements and various public communications.

<sup>A</sup> There is no provincial funding under the Public Transit Infrastructure Fund. The Federal Government has committed \$29 million. Decisions on the funding recipients for the Public Transit Infrastructure Fund were reached prior to February 2017. As a result, this program is not included within the scope of this audit.

<sup>B</sup> The Federal Gas Tax Fund will provide an estimated \$613 million over the next ten years to help local municipalities. Saskatchewan's allocation is \$292.7 million from 2014-15 to 2018-19. The Gas Tax Fund is not included in the scope of this audit as this is an ongoing program with the Federal Government.

Saskatchewan faces aging infrastructure and infrastructure deficits requiring significant investments over time. An October 2016 report by The Institute of Certified Management Consultants of Saskatchewan estimates that *Saskatchewan will require public infrastructure investments of \$51 billion in the next ten plus years.*<sup>5,6</sup>

The Ministry funds Saskatchewan municipalities and other agencies to support municipal priorities and infrastructure.<sup>7</sup> The Ministry leverages federal funding available through federal-provincial agreements to support programs throughout the province. Under these agreements, the Provincial Government agrees to fund a portion of the costs of federally approved projects.

The following federal-provincial infrastructure programs support the construction, renewal, and enhancement of basic infrastructure:

- The Clean Water and Wastewater Fund—Provides funding to provincial and municipal governments or other entities that provide designated water or wastewater services

<sup>3</sup> The Ministry can provide funding (via grants) to municipalities under *The Municipal Grants Regulations*, section 49 and enter into agreements with funding recipients under *The Executive Government Administration Act*, sections 18 and 21, and *The Government Relations Administration Act*, section 3.

<sup>4</sup> The Minister of Government Relations signs related federal-provincial agreements, as the representative of the Government of the Province of Saskatchewan.

<sup>5</sup> The CMC report includes all levels of government in its report (e.g., provincial, municipal).

<sup>6</sup> <https://higherlogicdownload.s3.amazonaws.com/CMCCANADA/6ae61369-ed65-4d46-87b4-976096e78fa2/UploadedImages/Think%20Big%20%20report.pdf> (11 December 2017).

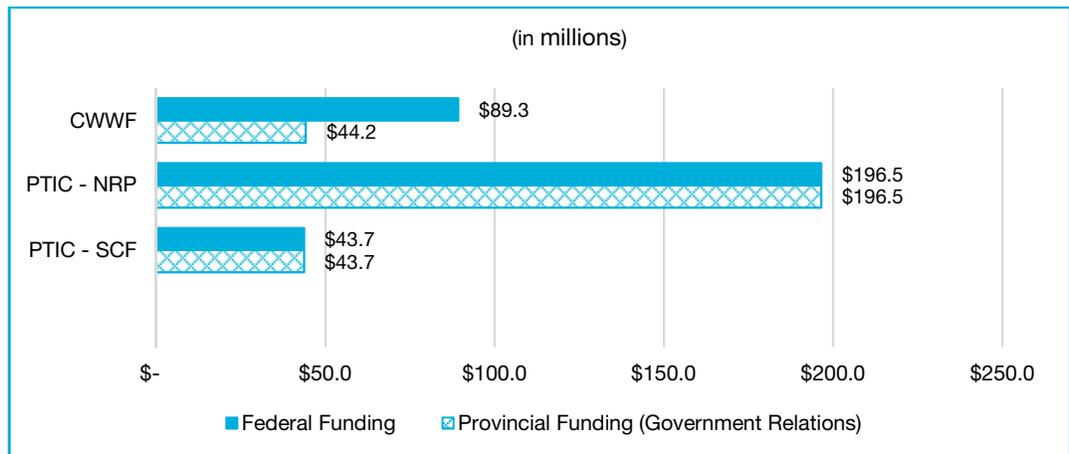
<sup>7</sup> Other agencies could include First Nations band councils, public sector bodies, and public or not-for-profit institutions that deliver post-secondary courses.

- The Provincial-Territorial Infrastructure Component—Provides funding to provincial and municipal governments for projects eligible under either of its two components:
  - National and Regional Projects
  - Small Communities Fund

See **Section 5.0** for further detail on these infrastructure programs.

As shown in **Figure 2**, a total of \$613.9 million combined federal and provincial funding was available through the portion of these infrastructure programs that the Ministry administered.

**Figure 2—Federal and Provincial Funding Available through Certain Federal-Provincial Infrastructure Programs Administered by Ministry of Government Relations**



Source: Provincial Auditor Saskatchewan based on infrastructure agreements and various public communications.

CWWF: Clean Water and Wastewater Fund.

PTIC: Provincial-Territorial Infrastructure Fund Component; NRP: National and Regional Projects; SCF: Small Communities Fund.

Note: Amounts shown are only those related to the aspects of the program that the Ministry of Government Relations administers. They do not include matching amounts that successful applicants must contribute.

In general, the Ministry's responsibilities for these federal-provincial infrastructure programs include receiving applications of proposed projects from parties interested in obtaining funding, assessing eligibility of projects, and deciding under which program the project best fits.

In addition, for each program, the Ministry is responsible for recommending projects to its Minister, and submitting minister-recommended projects to the Federal Government for approval. The Federal Government decides which projects to approve for funding based on the Ministry's recommendations.

For federal-approved projects, the Ministry enters into funding agreements with successful applicants, and monitors each recipient's compliance with the funding requirements.

Based on its experience with past federal-provincial programs, the Ministry recognizes requests for funding exceed available funding. As a result, it must choose which projects to recommend for funding, and under which program to make the recommendation.

The Ministry having to choose increases the importance of having fair, equitable, and transparent processes for selecting eligible projects to recommend. In addition, these processes must consider the best interests and needs of the public affected by the proposed projects.



## 3.0 AUDIT CONCLUSION

We concluded that, for the period from February 1, 2017 to January 31, 2018, the Ministry of Government Relations had effective processes, other than in the following areas, to recommend eligible projects for funding under the following federal-provincial infrastructure agreements: the Clean Water and Wastewater Fund and the Provincial-Territorial Infrastructure Component.<sup>8</sup>

The Ministry needs to:

- Consistently document rationale for key decisions made (e.g., decisions on why a project is recommended over others)
- Make publicly available factors (e.g., ability to meet deadlines) used to determine projects to recommend for funding
- Independently review project ratings
- Develop a strategy to notify unsuccessful applicants

Figure 3—Audit Objective, Criteria, and Approach

**Audit Objective:**

The objective of this audit was to assess the effectiveness of Ministry of Government Relations' processes, for the 12-month period February 1, 2017 to January 31, 2018, to recommend eligible projects for funding under federal-provincial infrastructure agreements.

**Audit Criteria:**

Processes to:

1. Establish a framework for recommending infrastructure projects that aligns with agreed-upon funding arrangements
  - 1.1 Approve framework for proposing infrastructure projects (e.g., policies, procedures)
  - 1.2 Establish infrastructure project application requirements (e.g., deadlines, information required, format)
  - 1.3 Communicate key information on potential funding to applicants (e.g., description of funding available, deadlines, information to include in application)
  - 1.4 Develop criteria to allocate applications to appropriate funding programs
  - 1.5 Develop assessment criteria to prioritize infrastructure project proposals (applications)
  - 1.6 Keep framework current (e.g., periodically determine whether changes are required; align with related federal-provincial agreement and provincial priorities)
2. Evaluate infrastructure project applications within reasonable timeframe
  - 2.1 Manage receipt of project applications and necessary supporting information (e.g., municipality financial statements, funding from other sources, evidence of incremental spending)
  - 2.2 Assign eligible project applications to the appropriate funding program based on approved criteria
  - 2.3 Assess project applications against approved assessment criteria
  - 2.4 Rank eligible applications based on established framework
3. Propose infrastructure projects for approval
  - 3.1 Independently review projects to recommend for approval
  - 3.2 Advise appropriate party (i.e., federal ministry) of projects recommended for approval
  - 3.3 Communicate infrastructure project proposal status and decisions and rationale (e.g., within Ministry, to funding recipients, to unsuccessful applicants)

**Audit approach:**

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate the Ministry's processes, we used the above

<sup>8</sup> The Provincial-Territorial Infrastructure Component consists of two programs—National and Regional Projects and Small Communities Fund.

criteria based on our related work, reviews of literature including reports of other auditors, and consultation with management. The Ministry's management agreed with the above criteria.

We examined the Ministry's criteria, policies, and procedures that relate to processes to recommend eligible projects for funding under federal-provincial infrastructure agreements. We interviewed Ministry staff responsible for recommending eligible projects for funding under federal-provincial infrastructure agreements, and reviewed documentation related to the Ministry's processes (e.g., administrative guides, rating sheets, agreements, project listings, emails). We assessed controls over the key IT system used and tested key aspects of the Ministry's processes, including testing samples of applications the Ministry received.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

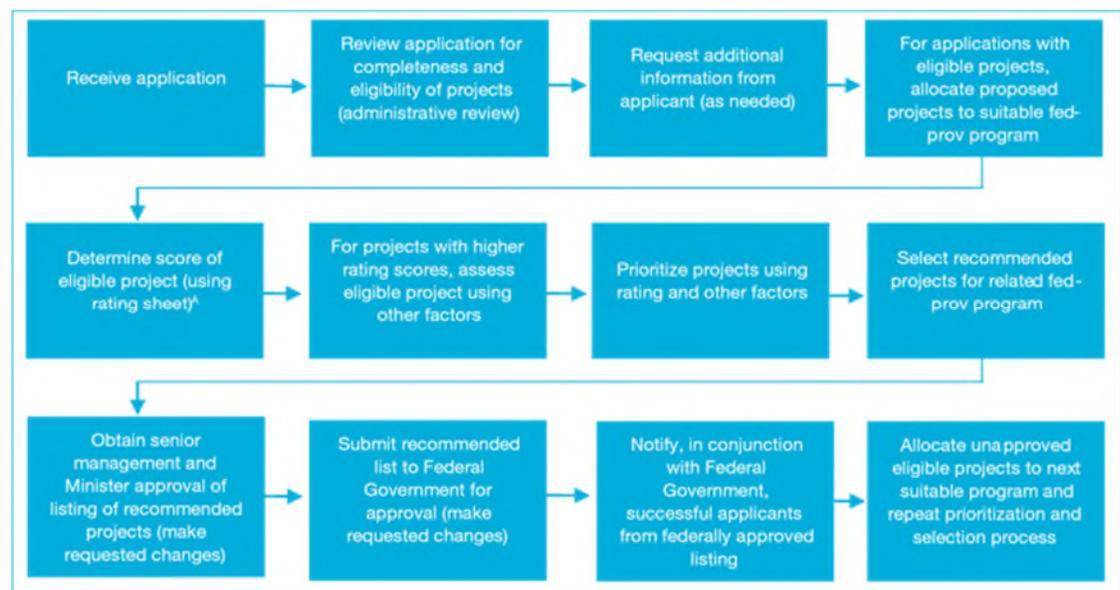
### 4.1 Recommendation Process Well Established But Not Fully Transparent

The Ministry has a well-established and up-to-date process for recommending projects for federal-provincial infrastructure funding. Most, but not all of this process is sufficiently communicated or documented.

The Ministry assigns responsibility for the recommendation process set out in **Figure 4** to three staff in its Municipal Infrastructure and Finance Branch. This process is one aspect of their responsibilities.

We found that these individuals were knowledgeable and appropriately qualified. Each had worked in this area for many years, and demonstrated a good understanding of the expected process. We noted one individual with past technical engineering experience in municipal systems was responsible for reviewing applications, determining eligibility of projects, and assigning project ratings. This knowledge and experience was essential given judgements necessary in assessing applications and rating projects.

**Figure 4—Summary of Ministry Process to Recommend Projects for Approval (Recommendation Process)**



Source: Provincial Auditor Saskatchewan based on information from the Ministry.

\* Cabinet may assign a portion of available program funding to specific applicants or groups of applicants (provincial priority areas); these eligible projects are not typically scored.



## Application and Allocation Process

The Ministry sufficiently documented and communicated to potential applicants the processes for applying and allocating project applications. It does the following:

- The Ministry uses program funding requirements set in federal-provincial agreements to set application requirements, determine project eligibility, select program to which to allocate the project, and set deadlines (e.g., receipt of applications, completion of projects, submission of recommended listing to the Federal Government).

We found the agreements set out clear deadlines. The Ministry aligned the timing of its processes (e.g., application deadlines; rating and prioritizing projects) based on each program's requirements. For example, the Ministry completed its rating and prioritization process for the Clean Water and Wastewater Fund program between February and March 2017 in order to meet the federal deadline of March 15, 2017, to submit minister-recommended projects. For the Provincial-Territorial Infrastructure Component programs, the Ministry was working towards the federal deadlines of April 1, 2018, and March 31, 2018, for the National and Regional Project component and Small Communities Fund component, respectively.

- The Ministry maintains a detailed application guide and key information about the programs and application process on its website. The Ministry has designed its application process to allow applicants to propose projects that may be eligible for both infrastructure programs. It limits each applicant to two proposed projects, and asks them to state their preferred project. The guide outlines information that an applicant must submit.

We found the guide and website contained sufficient information to enable both applicants and staff to understand and apply application requirements. The webpage includes information on how the programs work, who is eligible for funding, how to apply, how the applications and proposed projects will generally be assessed, project approvals, and links to Federal Government information.<sup>9</sup>

Also, we found that the Ministry used public news releases, emails (e.g., to municipalities), and presentations to stakeholders (e.g., Association of Consulting Engineering Companies, and Saskatchewan Association of Rural Water Pipelines Incorporated) to explain available programs and provide tips on completing applications.<sup>10</sup> For example, publications on its webpage noted that certain project types were priority areas for infrastructure funding for the province.<sup>11</sup> One news release noted that online applications for the Clean Water and Wastewater Fund and the Provincial-Territorial Infrastructure Component had to be submitted by February 1, 2017.<sup>12</sup>

We found the information aligned with requirements set out in the agreements.

- The Ministry uses the following two criteria to allocate applications to the suitable program—project type and expected project completion date.

<sup>9</sup> [www.saskatchewan.ca/government/municipal-administration/funding-finances-and-asset-management/funding/nbcf#how-does-it-work](http://www.saskatchewan.ca/government/municipal-administration/funding-finances-and-asset-management/funding/nbcf#how-does-it-work) (2 April 2018).

<sup>10</sup> Association of Consulting Engineering Companies advise/work with applicants on projects, including determining what to build, cost estimates, and may also help in writing applications.

<sup>11</sup> The Provincial Government determined that projects related to drinking water, wastewater, highways and roads, and disaster mitigation were priority areas for infrastructure funding for the province.

<sup>12</sup> The original application deadline was January 23, 2017, but was subsequently extended by the Ministry to February 1, 2017. [www.saskatchewan.ca/government/news-and-media/2016/december/07/infrastructure-funding](http://www.saskatchewan.ca/government/news-and-media/2016/december/07/infrastructure-funding) (2 April 2018).

## Rating and Prioritization Process

Other than not documenting or publicly communicating all factors used to prioritize projects to recommend, the Ministry sufficiently documented and communicated to potential applicants the processes for rating and prioritizing projects. It does the following:

- Where Cabinet allocates portions of funding available under the infrastructure programs to specific applicants or groups of potential applicants that it regards as having the highest impact and/or need (provincial priority areas), the Ministry reviews the eligibility of projects that those applicants propose. In these cases, eligible projects from these applicants do not compete for funding unless the total of projects they propose exceeds the Cabinet-approved maximum allocation for that applicant's category.

For example, in 2017-18, Cabinet allocated \$54.2 million of \$133.5 million of funding available under the Clean Water and Wastewater Fund to the cities of Regina and Saskatoon and to Northern Saskatchewan.<sup>13</sup> In 2017, the estimated costs of eligible projects from applicants in Northern Saskatchewan did not exceed the Cabinet approved maximum allocation of \$9.9 million of the Clean Water and Wastewater Fund.

- The Ministry maintains detailed rating sheets to score each project. The sheets contain detailed guidance for rating a project out of 100 points. The Ministry assigns numeric values in 11 categories (e.g., health, capacity, and safety).

The Ministry developed the rating sheets through consultation with relevant stakeholders, including internal Ministry management, external experts (e.g., Saskatchewan Water Security Agency), and other external stakeholders (e.g., Saskatchewan Urban Municipalities Association, Saskatchewan Association of Rural Municipalities).

We found the sheets were understandable and relatively easy to follow. The rating sheets also aligned with federal program requirements.

- Ministry staff scores each project using the rating sheets.
- The Ministry maintains spreadsheets of eligible projects that include rating scores. It initially prioritizes projects using the rating scores. Then Ministry staff use the rating scores along with expected project costs to identify projects to assess further.
- The Ministry considers other factors when prioritizing eligible projects, and deciding which projects to recommend. The Ministry indicated that it had developed these factors based on verbal direction from federal and provincial governments, and its experience with past federal-provincial infrastructure programs. The Ministry considers the other factors listed in **Figure 5** for projects with higher rating scores.

<sup>13</sup> The Clean Water and Wastewater Fund allows the Provincial Government to use approximately \$0.8 million of federal funds to pay for administrative costs associated with the program.

**Figure 5—Factors Used to Prioritize Projects**

1. Provincial-priority areas
  2. Project scores determined by Ministry staff using rating sheets
- Other factors:**
3. Likelihood of project meeting completion deadlines
  4. Whether the applicant has multiple projects being considered for funding (typically only one project is proposed for funding per applicant)
  5. Whether the applicant has received significant funding from past federal-provincial funding arrangements
  6. Financial stability of the applicant and ability to fund project
  7. Rural and urban representation of projects<sup>A</sup>
  8. Maximizing use of federal funding available<sup>A</sup>

Source: Provincial Auditor Saskatchewan based on discussions with the Ministry. The Ministry uses a combination of the above assessment factors to determine the projects to recommend to the Federal Government.

<sup>A</sup>The Ministry considers this factor for the overall project list. It considers the other factors on a project-by-project basis.

We found that the Ministry did not document or make public all of the factors that it uses to determine which projects to recommend to its Minister and in turn to the Federal Government.

In addition, while we found the use of these factors was evident in documentation supporting its recommended projects, the Ministry has not formally defined these factors nor the information it expects staff to use when assessing them. For example, it has not documented what is significant funding, or what key data is used to determine an applicant's financial stability.

Not making publicly available all factors used to select recommended projects increases the risk that the Ministry may be viewed as not using transparent processes in determining which projects to recommend for federal-provincial infrastructure funding. Furthermore, not documenting the factors used increases the risk of the processes not continuing as expected in the event of key staff turnover.

1. **We recommend that the Ministry of Government Relations make publicly available the factors it uses to determine which eligible projects to recommend for federal-provincial infrastructure funding.**

## 4.2 Recommendation Process Kept Up-to-Date

The Ministry kept its process for recommending projects for federal-provincial infrastructure funding up-to-date.

The Ministry uses the same basic recommendation process for the various federal-provincial infrastructure agreements that it administers. As shown in **Section 5.0**, the federal-provincial agreements, in most cases, are in effect for specific periods. In some cases, programs are renewed or continued.

To keep the process current, the Ministry used its past experience with federal-provincial infrastructure programs to identify and improve its process. For example, it kept track of questions from applicants and related responses. It used information from these to update its written guidance and streamline responses to applicants.

In addition, it shares key information with the Federal Government for its consideration when developing future programs or extending existing ones. In addition, it shares

relevant applicant feedback with the Federal Government (e.g., difficulties related to proposing projects for programs with tight project completion deadlines).

We found the Ministry's process to recommend projects aligned with infrastructure program requirements and provincial priorities.

Keeping the recommendation process current helps the Ministry make sure it aligns with the infrastructure programs currently in effect.

### 4.3 Application Data Appropriately Managed

The Ministry systematically and electronically tracks project applications and other information received from applicants.

In February 2017, the Ministry received applications for both infrastructure programs through an online application tool.<sup>14</sup> As shown in **Figure 6**, the Ministry received 420 applications for funding for projects worth over \$1 billion. \$133.5 million of federal-provincial funding was available under the Clean Water and Wastewater Fund program, and \$480.4 million under the Ministry-administered Provincial-Territorial Infrastructure Component program.

**Figure 6—Applications Received by Ministry through Online Applications**

Project Type	Number of Applications	Value of Applications (millions)
Clean water and wastewater	291	\$880.0
Highways and roads	49	\$94.6
Recreation	35	\$42.1
Other <sup>A</sup>	30	\$43.2
Solid Waste	15	\$21.9
Total	420	\$1,081.8

Source: Provincial Auditor Saskatchewan based on information from the Ministry's system.

<sup>A</sup>Other includes categories such as civic assets, storm water, culture, tourism, short line rail, and innovation.

We found that the Ministry kept each application and related documents in its own electronic folder. It appropriately restricted electronic access to this information to maintain its integrity.

For 42 applications we tested, Ministry staff reviewed each application for completeness. For a few of these applications, the Ministry requested additional information to determine whether proposed projects met the eligibility requirements of the Clean Water and Wastewater Fund program. For applications tested, it received most of the needed information with the application, and appropriately rejected projects where the applicant did not provide sufficient information about the submitted project.

<sup>14</sup> Clean Water and Wastewater Fund and Provincial-Territorial Infrastructure Component programs.



## 4.4 Projects Eligibility Determined But Reasons Not Always Documented

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The Ministry consistently uses two criteria to allocate applications to specific funding programs, and used program requirements to determine project eligibility; but it did not consistently document the basis of its decisions.

Because the Clean Water and Wastewater Fund agreement had an earlier deadline for completion of projects, it allocated projects first to this program.<sup>15</sup>

For all 30 applications we tested, the Ministry consistently considered project type (e.g., sewage treatment lagoons, sewage pumps, drinking water supply system upgrades) and expected project completion date of the proposed project listed on the application.<sup>16</sup> The Ministry appropriately disqualified projects where the project type was not eligible for funding, and/or the project had timelines that did not meet required timelines.

For 20% of 30 applications we tested, the Ministry decided proposed projects were not eligible under the Clean Water and Wastewater Fund program, and did not score them. These had anticipated project completion dates prior to March 31, 2018—the project completion deadline.

Ministry staff indicated that, for these applications, the Ministry had determined the applicant's project timelines were unrealistic and the applicant would not complete the project by March 31, 2018. While we found this rationale reasonable given the type and size of project, the Ministry did not record the reason for its decision. See **Recommendation 3** about documenting rationale for decisions made.

## 4.5 Independent Review of Project Score Ratings Needed

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The Ministry did not review the determination of the score of each eligible project nor always document the basis of its ratings.

As noted in **Section 4.1**, the score of each eligible project is used as the starting point to prioritize projects.

We found one staff member determines rating scores for all eligible projects, and calculates the overall rating score. This individual manually and electronically maintains the data used to score and prioritize projects. There is no process for periodic review of rating scores or their determination (e.g. on a risk or sample basis).

For 4 out of 132 individual rating scores tested (related to 12 projects), we found errors (e.g., adding errors) that resulted in the project having an inaccurate overall score.<sup>17</sup> The Ministry did not detect these errors. We determined the extent of error for each project was not large enough to impact the final listing of recommended projects sent to the Federal Government.

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<sup>15</sup> March 31, 2018 (or, if the Federal Government approves, March 31, 2019). As of February 2018 management told us that it was in the process of negotiating with the Federal Government to extend these completion deadlines.

<sup>16</sup> Clean Water and Wastewater Fund and Provincial-Territorial Infrastructure Component programs.

<sup>17</sup> We tested the rating sheet related to the project listed on 12 applications for the Clean Water and Wastewater Fund. Each rating sheet had 11 categories resulting in 132 categories tested.

In addition, for 19 out of 132 ratings tested, the Ministry did not have documentation to support the rating score given. 26% of the 19 ratings related to one of the more complex rating categories (i.e., capacity). The capacity category is one of the highest percentages of available points in the rating sheet.

Project ratings are a critical component of the Ministry's processes to recommend infrastructure projects for funding. The lack of an independent review process increases the risk of errors occurring or ratings not being sufficiently supported. This could result in projects not being rated consistently or impartially. In addition, having more than one person involved in the rating process would help the Ministry continue its processes in the event of key personnel turnover.

2. **We recommend that the Ministry of Government Relations require an independent review of project rating scores used to select projects to recommend for federal-provincial infrastructure funding.**

## 4.6 Consistent Support for Projects on Recommended Listing Necessary

The Ministry follows its established process to assess and prioritize eligible projects but does not consistently record the reasons for its selection decisions.

With respect to determining rating scores, we found for 12 applications we tested:

- The Ministry manually completed rating sheets for each.
- 19 out of 132 individual rating scores we tested did not have documentation to support the rating given. When we inquired about the rationale for the rating scores given, management provided us with reasonable verbal explanations.

With respect to prioritizing projects based on rating scores and results of other assessed factors, we found:

- The Ministry sorted rating scores on its spreadsheets from highest rating to lowest rating to identify projects to assess further using the other factors in **Figure 5**.
- Ministry staff met to discuss the assessment and prioritization of projects to recommend for funding, and they documented the results of their discussion.
- For 8 of 27 projects not recommended even though they had ratings equal to or greater than another recommended Clean Water and Wastewater Fund program project, verbal reasons for those projects not being recommended were reasonable and showed consistent application of the other factors. However, the Ministry had not documented those reasons.

The Ministry announced the approval of 75 projects in a news release on June 2, 2017.<sup>18</sup> With respect to the listing of 75 recommended projects, we found:

- It included 8 projects consistent with provincial-priority areas

<sup>18</sup> [www.saskatchewan.ca/government/news-and-media/2017/june/02/wastewater-projects-in-saskatchewan](http://www.saskatchewan.ca/government/news-and-media/2017/june/02/wastewater-projects-in-saskatchewan) (2 April 2018).



- It included 67 projects recommended based on the Ministry's prioritization process
  - For the majority of these projects, projects had rating scores higher than other projects.
  - Other than the 8 items noted above, the remaining projects had clear documentation explaining why they were recommended over a higher rated project. For example, the Ministry selected an applicant's preferred project where the applicant had two eligible projects that scored high. In another example, it rejected a project based on financial instability of the applicant (i.e., there was a risk that the applicant did not have sufficient resources to finance its share of the project).

Not consistently documenting the basis of judgements made in determining the rating scores or applying other factors used to select projects to recommend for funding decreases the ability of management to supervise the appropriateness or basis of the judgements. In addition, this increases the risks of making inappropriate conclusions and not being able to readily show it treated applicants fairly and equitably.

Not consistently documenting decisions made can also increase difficulty in defending decisions (especially in the event of key personnel turnover, or to respond to potential questions of the Federal Government). This can result in inefficient use of limited resources (e.g., time spent reassessing a project to redetermine why it was [was not] selected for recommendation).

3. We recommend that the Ministry of Government Relations consistently document rationale for key decisions made when recommending infrastructure projects for federal-provincial infrastructure funding.

## 4.7 Federal Submission Deadlines for Recommending Projects for Clean Water and Wastewater Fund Program Met

The Ministry met the Federal Government submission deadline of March 15, 2017, for submitting minister-recommended Clean Water and Wastewater Fund projects.

The Ministry focused on allocating and assessing projects that could be eligible for the Clean Water and Wastewater Fund because of the earlier deadline for submitting recommended projects to the Federal Government (i.e., March 15, 2017). The federal submission deadlines for the Provincial-Territorial Infrastructure Component, National and Regional Projects and Small Communities Fund components are April 1, 2018, and March 31, 2018, respectively.

Prior to submitting its recommended projects listing to the Federal Government, we found Ministry management and the Minister reviewed and approved the list as expected.

As shown in **Figure 7**, as of January 2018, the Federal Government had approved funding for 163 infrastructure projects under the Clean Water and Wastewater Fund and the two components of the Provincial-Territorial Infrastructure Component (PTIC).

**Figure 7—Summary of Federal-Provincial Projects Approved through Ministry of Government Relations at January 31, 2018**

Funding Program	Number of projects approved	Federal Commitment	Provincial Commitment	Combined Federal & Provincial Commitment
(in millions)				
Clean Water and Wastewater Fund	110	\$88.5	\$44.2	\$132.7
PTIC-National and Regional Projects	17	\$71.4	\$71.4	\$142.8
PTIC-Small Communities Fund	36	\$16.6	\$16.6	\$33.2
Total Projects	163	\$176.5	\$132.2	\$308.7

Source: Provincial Auditor Saskatchewan based on information from [www.infrastructure.gc.ca/map-carte/projects-list-liste-de-projets-eng.html?pt=sk](http://www.infrastructure.gc.ca/map-carte/projects-list-liste-de-projets-eng.html?pt=sk) (29 March 2018), federal-provincial program agreements, and information from Ministry of Government Relations news releases ([www.saskatchewan.ca/government/news-and-media?ministry=F9140CE6186E4AE98F23C8E08C8EDC3F&page=3](http://www.saskatchewan.ca/government/news-and-media?ministry=F9140CE6186E4AE98F23C8E08C8EDC3F&page=3) (4 Apr 2018).

Note: Amounts shown are only those related to the aspects of the program that the Ministry of Government Relations administers. They do not include amounts successful applicants must contribute, funding for administrative purposes, or funding that flows through the provincial Ministry of Highways and Infrastructure.

As of January 2018, management indicated it was on track to meet the deadlines for submitting recommended projects for PTIC.

## 4.8 Strategy for Communicating to Unsuccessful Applicants Not Yet Developed

Only successful applicants were advised of approved funding for eligible projects under the Clean Water and Wastewater Fund. The Ministry does not have a documented plan for advising applicants not successful in securing funding under both infrastructure programs.

With the permission of the Federal Government, the Ministry sends a standard letter to formally communicate with applicants successful in getting funding for their projects. For the 12 projects with approved funding we tested, each received the standard letter in 2017 as expected.

The Ministry also uses news releases to inform the public and applicants of approved projects. For example, it issued a news release on June 2, 2017, announcing 75 new water and wastewater projects approved for Saskatchewan—74 Clean Water and Wastewater Fund projects, and one project under the Provincial-Territorial Infrastructure Component – National and Regional Projects.<sup>19</sup> The news release lists specific projects approved and includes the location, project name, and federal and provincial funding amounts.

As shown in **Figure 8**, at January 31, 2018, available funding under the Clean Water and Wastewater Fund program was fully committed. Whereas, almost 50% (\$304 million) of available Provincial-Territorial Infrastructure Component program funding was not yet committed to a specific project.

<sup>19</sup> [www.saskatchewan.ca/government/news-and-media/2017/june/02/wastewater-projects-in-saskatchewan](http://www.saskatchewan.ca/government/news-and-media/2017/june/02/wastewater-projects-in-saskatchewan) (2 April 2018).



**Figure 8–Summary of Ministry-Administered Federal and Provincial Infrastructure Funding Committed at January 31, 2018**



Source: Provincial Auditor Saskatchewan based on information from [www.infrastructure.gc.ca/map-carte/projects-list-liste-de-projets-eng.html?pt=sk](http://www.infrastructure.gc.ca/map-carte/projects-list-liste-de-projets-eng.html?pt=sk) (29 March 2018).

CWWF: Clean Water and Wastewater Fund

PTIC: Provincial-Territorial Infrastructure Component; NRP: National and Regional Projects; SCF: Small Communities Fund.

Note: Amounts shown are only those related to the aspects of the program that the Ministry of Government Relations administers. They do not include amounts that successful applicants must contribute.

Management told us that it would consider whether any projects not approved for funding under the Clean Water and Wastewater Fund are eligible for funding under the Provincial-Territorial Infrastructure Component and that it intends to recommend projects to the Federal Government to use all of this available funding.<sup>20</sup>

The Ministry did not formally contact applicants not successful in securing funding under the Clean Water and Wastewater Fund. It decided not to do so as it was considering projects in the February 2017 applications eligibility under the Provincial-Territorial Infrastructure Component. The Ministry noted it informs (usually via phone or email) applicants who contact it directly about their application about potential eligibility for funding under Provincial-Territorial Infrastructure Component programs. It also advises them it will complete this determination for funding in 2018-19.<sup>21</sup>

As of January 2018, the Ministry had not documented its strategy to notify applicants not successful in obtaining funding for proposed projects in either infrastructure program (after this determination is made).

Not notifying applicants within a reasonable timeframe or at all can negatively impact the ability of applicants to make decisions about their projects (i.e., result in delayed or canceled projects for applicants), and thus harm the government’s relationships with applicants.

**4. We recommend that the Ministry of Government Relations determine a written strategy for notifying, within a reasonable timeframe, applicants who are unsuccessful in obtaining funding under federal-provincial infrastructure programs.**

<sup>20</sup> Project proposals under these programs are due to the Federal Government on March 31, 2018, and April 1, 2018, and were outside of our audit period.

<sup>21</sup> The Ministry developed stock email replies to use to keep communications consistent when answering applicant questions about the status of their applications.

## 5.0 SUMMARY OF MINISTRY OF GOVERNMENT RELATIONS-ADMINISTERED FEDERAL-PROVINCIAL INFRASTRUCTURE PROGRAMS

Program Name / Description	Term of Agreement in Effect	Federal Commitment	Provincial Commitment	Municipal / Recipient Commitment	Project Submission Deadline
<b>Clean Water and Wastewater Fund</b>					
Provides funding to provincial and municipal governments or other entities that provide water or wastewater services designated by the provinces and territories or municipalities	From September 15, 2016 to March 31, 2020	Up to 50% of approved project costs to a total of \$89.3 million from 2016 to 2020	Up to 25% of approved projects costs to a total of \$44.2 million from 2016 to 2020	Up to 25% of approved project costs to a total of \$44.2 million, plus any cost overruns, from 2016 to 2020	March 15, 2017
<b>Provincial-Territorial Infrastructure Component</b>					
<b>National and Regional Projects</b> - Projects must be for construction, renewal, rehabilitation, or material enhancement of infrastructure for public use. Provides funding for nationally and regionally (provincial/ municipal) significant projects (predominantly medium and large scale in nature). <sup>c</sup>	No formal agreement in place as of December 2017	Up to 33.33% of approved project costs to a total of \$196.5 million from 2014 to 2024 <sup>a</sup>	Up to 33.33% of approved project costs to a total of \$196.5 million from 2014 to 2024 <sup>b</sup>	Up to 33.33% of approved project costs to a total of \$196.5 million, plus any cost overruns, from 2014 to 2024	April 1, 2018
<b>Small Communities Fund</b> - Projects must achieve program objectives related to: economic growth; a clean environment; and stronger communities. Provides funding for nationally and regionally (provincial/ municipal) significant projects, specifically for municipalities with fewer than 100,000 residents. <sup>d</sup>	From April 28, 2015 to March 31, 2024	Up to 33.33% of approved project costs to a total of \$43.7 million from 2015 to 2024	Up to 33.33% of approved project costs to a total of \$43.7 million from 2015 to 2024	Up to 33.33% of approved project costs to a total of \$43.7 million, plus any cost overruns, from 2015 to 2024	March 31, 2018

Source: Provincial Auditor Saskatchewan based on infrastructure agreements and information provided by management.

<sup>a</sup> An additional \$196.5 million in federal NRP funding is administered by the Ministry of Highways and Infrastructure.

<sup>b</sup> An additional \$196.5 million in provincial NRP funding is administered by the Ministry of Highways and Infrastructure.

<sup>c</sup> [www.infrastructure.gc.ca/plan/nrp-pnr-prog-eng.html](http://www.infrastructure.gc.ca/plan/nrp-pnr-prog-eng.html) (8 December 2017).

<sup>d</sup> [www.infrastructure.gc.ca/plan/sc-cp-eng.html](http://www.infrastructure.gc.ca/plan/sc-cp-eng.html) (8 December 2017).



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