

## Chapter 16

# Government Relations—Recommending Infrastructure Projects for Funding

### 1.0 MAIN POINTS

By October 2020, the Ministry of Government Relations implemented the four outstanding recommendations related to recommending infrastructure projects for federal-provincial funding.

The Ministry published on its website key factors it considers when assessing project applicants' requests for funding. As part of evaluating applications, it required an independent review of project ratings. It consistently documented its rationale for key decisions in recommending projects for funding. It also informed unsuccessful applicants within a reasonable time of their unsuccessful application.

Publicizing the project evaluation and approval process, including the assessment criteria, independently reviewing ratings and documenting rationale for key funding recommendations helps the Ministry demonstrate that it treats all project applicants fairly and equitably.

However, during 2019, Cabinet approved 25 infrastructure projects using a different process than what was publicly communicated. These 25 projects represent a total of \$185.5 million in grant funding (including \$106.4 million in federal funding and \$79.1 million in provincial funding) which is approximately 30% of the total approved grant funding for the Investing in Canada Infrastructure Program as of October 31, 2020.

Clearly communicating changes to the process used to evaluate and approve projects for funding can help the Government demonstrate transparency and that it treated all project applications fairly and equitably.

### 2.0 INTRODUCTION

The Ministry of Government Relations is responsible for municipal relations; public safety; First Nations, Métis and northern affairs; and the Provincial Capital Commission. 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
- Supporting responsible governments<sup>1,2</sup>

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

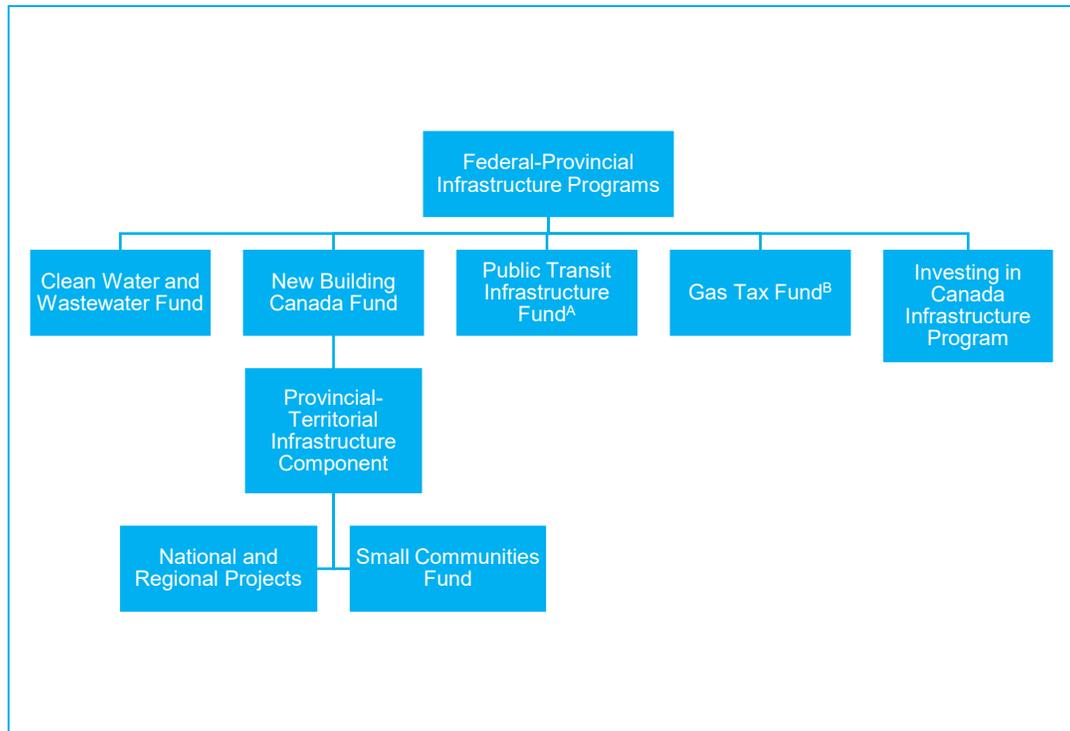
<sup>2</sup> *The Ministry of Government Relations Plan for 2020-21*, p. 5; and the *Government of Saskatchewan 20-21 Estimates*, p. 70.



The Ministry administers, on behalf of the Provincial Government, various federal-provincial infrastructure-funding agreements.<sup>3,4,5</sup>

At October 31, 2020, the Ministry was responsible to administer five major funding agreements with Canada, on behalf of the provincial government, including the Clean Water and Wastewater Fund, New Building Canada Fund, Public Transit Infrastructure Fund, Gas Tax Fund and Investing in Canada Infrastructure Program. See **Figure 1** below.

**Figure 1—Ministry of Government Relations 2020 Federal-Provincial Infrastructure Programs**



Source: Provincial Auditor of Saskatchewan based on infrastructure agreements and information from Ministry of Government Relations.

<sup>A</sup> There is no provincial funding under the Public Transit Infrastructure Fund. The Federal Government 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 was not included within the scope of the original audit or this follow-up.

<sup>B</sup> The Gas Tax Fund is allocated by population, so does not require municipalities to apply for funding. As a result, it was not within the scope of the original audit or this follow-up.

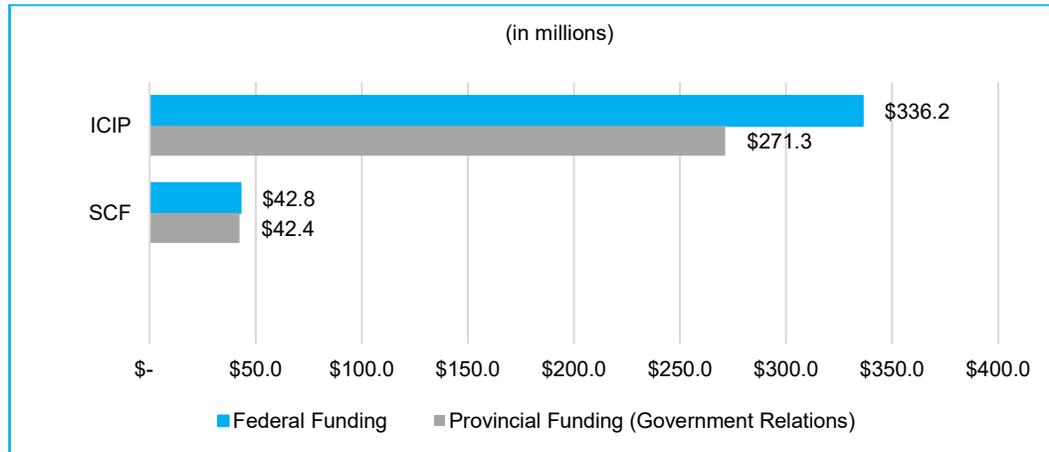
For the period February 1, 2018 to October 31, 2020 (i.e. the audit follow-up period), only the Small Communities Fund and Investing in Canada Infrastructure Program had projects approved for federal funding—250 different projects in total. As shown in **Figures 2** and **3**, for these programs, a total of \$692.7 million combined federal and provincial funding was approved.

<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 Ministry of SaskBuilds and Procurement is a co-administrator for the Investing in Canada Infrastructure Program.

**Figure 2—Federal and Provincial Funding Approved through Certain Federal-Provincial Infrastructure Programs (ICIP and SCF) Administered by Ministry of Government Relations from Program Inception to October 31, 2020**



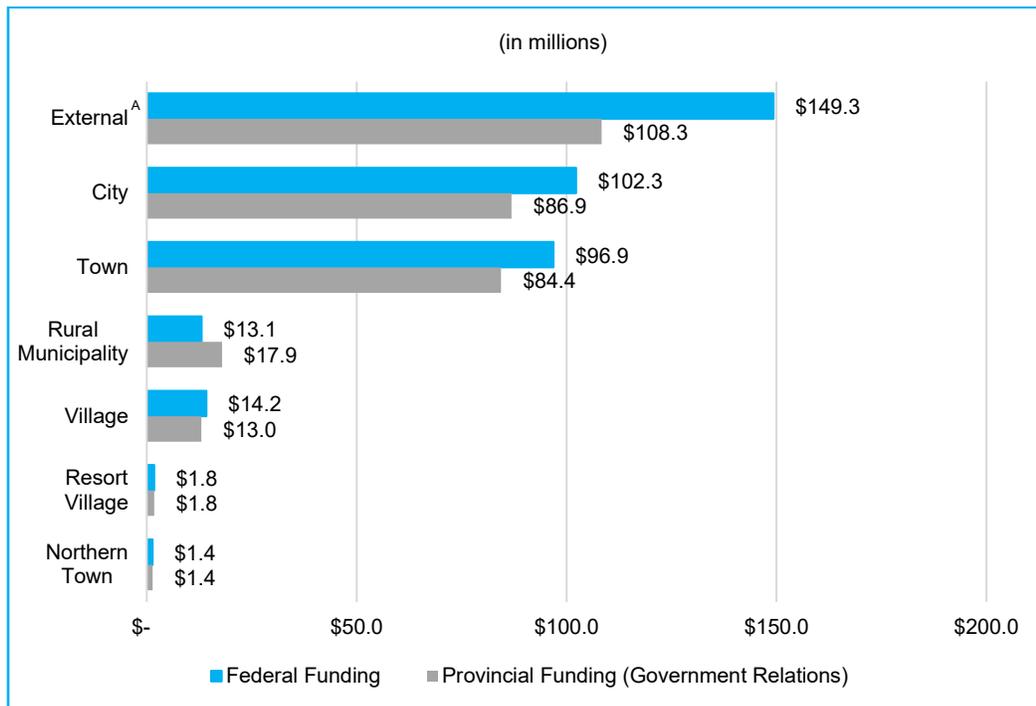
Source: Information from Ministry of Government Relations.

ICIP: Investing in Canada Infrastructure Program

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.

**Figure 3—Federal and Provincial Funding Approved (ICIP and SCF) by Municipality Type from Program Inception to October 31, 2020**



Source: Information from Ministry of Government Relations.

ICIP: Investing in Canada Infrastructure Program

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.

<sup>A</sup> External includes First Nations and Non-Profits.



The Small Communities Fund finances provincial and municipal governments' projects for infrastructure related to local needs (e.g. roads, disaster mitigation infrastructure, drinking water). The Investing in Canada Program finances infrastructure projects expected to provide the following benefits:

- Cleaner environment by reduction of soil and air pollutants
- Improvements for drinking water
- Reduced greenhouse gas emissions
- Sustainable water management
- Enhanced public parks, recreational facilities and other spaces that make communities great places to live<sup>6,7</sup>

## 2.1 Focus of Follow-Up Audit

This chapter describes our first follow-up audit of management's actions on the recommendations we made in 2018.<sup>8</sup>

In 2018, we reported the Ministry of Government Relations had effective processes to recommend eligible projects for funding under federal-provincial infrastructure agreements, other than those areas where we made four recommendations.

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate the Ministry's progress toward meeting our recommendations, we used the relevant criteria from the original audit. The Ministry agreed with the criteria in the original audit.

In performing this follow-up audit, we interviewed Ministry management responsible for managing these programs. We assessed related documentation (e.g., Investing in Canada Infrastructure Program Guide), tested a sample of projects for decision rationale, and reviewed decisions and notifications sent to unsuccessful project applicants.

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at October 31, 2020 and the Ministry's actions up to that date.

<sup>6</sup>[www.saskatchewan.ca/government/municipal-administration/funding-finances-and-asset-management/funding/investing-in-canada-infrastructure-program](http://www.saskatchewan.ca/government/municipal-administration/funding-finances-and-asset-management/funding/investing-in-canada-infrastructure-program) (8 March 2021).

<sup>7</sup> Federal funding for Saskatchewan's eligible projects under ICIP is divided into four streams: green infrastructure; community, culture and recreation infrastructure; public transit infrastructure; and rural and northern communities' infrastructure.

<sup>8</sup> *2018 Report – Volume 1*, Chapter 5. [auditor.sk.ca/publications/public-reports](http://auditor.sk.ca/publications/public-reports).

### 3.1 Key Factors Used to Recommend Projects for Approval Made Public

***We recommended the Ministry of Government Relations make publicly available the factors it uses to determine which eligible projects to recommend for federal-provincial infrastructure funding. (2018 Report – Volume 1, p. 64, Recommendation 1; Public Accounts Committee agreement October 10, 2018)***

**Status**—Implemented

The Ministry makes public the key factors it uses to determine which projects to recommend for federal-provincial infrastructure funding.

We found the Ministry included the factors used in recommending projects for federal-provincial funding (as described in **Figure 4**) on its website. It includes these factors in *The Investing in Canada Infrastructure Program – Program Guide*.<sup>9</sup>

**Figure 4—Factors the Ministry Considered When Recommending Projects for Federal-Provincial Infrastructure Funding**

- Represent good value for money
- Contribute to community objectives and is based on community need for services
- Enhance and protect public health and/or environmental health
- Funding need
- Technical feasibility
- Project sustainability, efficient use of resources throughout the life of the assets
- Whether the applicant has multiple projects under consideration for funding (as typically, only one project receives funding per applicant)
- Financial stability of the applicant or ability to fund the project

Source: ICIP Program Guide, pg. 12, [pubsaskdev.blob.core.windows.net/pubsask-prod/115003/ICIP-Program\\_Guide.pdf](https://pubsaskdev.blob.core.windows.net/pubsask-prod/115003/ICIP-Program_Guide.pdf)

Publicly disclosing the factors it uses in recommending projects for funding increases transparency of the Ministry's project selection processes.

### 3.2 Project Rating Scores Independently Reviewed

***We recommended the Ministry of Government Relations require an independent review of project rating scores used to select projects to recommend for federal-provincial infrastructure funding. (2018 Report – Volume 1, p. 67, Recommendation 2; Public Accounts Committee agreement October 10, 2018)***

**Status**—Implemented

The Ministry requires independent review of projects before it recommends them for funding.

As described in **Figure 5**, the agency responsible for completing project ratings scores (using a standard rating sheet) differs from the agency responsible for reviewing the reasonableness of those scores. The responsible agency varies depending on the program.

<sup>9</sup> The Ministry assessed project applications under SCF using the same factors as ICIP projects. The Ministry did not update the program guidance for SCF because the program was nearing completion.

**Figure 5—Process for Rating Projects and Review of Project Rating Scores**

Program Name related to Projects	Agency Responsible for Completing Initial Rating of Projects	Agency Responsible for Reviewing Rating
<b>Investing in Canada Program</b>		
Green stream (e.g. landfill projects)	Ministry of Environment	Ministry of Government Relations
Drinking Water	Ministry of Government Relations	Water Security Agency
Community, Culture and Recreation Infrastructure	A Committee comprising representatives from the Ministries of Government Relations, SaskBuilds and Procurement, and Parks, Culture and Sport	Ministry of Government Relations
<b>Small Communities Fund</b>	Ministry of Government Relations	Water Security Agency

Source: Information provided by Ministry management

Our testing of 47 projects found evidence of independent review of each project tested. The Ministry used a standard rating sheet with 52 rating criteria (e.g., project readiness, regional co-operation, project need, long-term sustainability) to rate each of the projects (i.e., determine an overall project rating score). We saw evidence of the review of those ratings by parties independent of the party who determined the ratings.

An independent review of project ratings helps reduce the risk of errors occurring or ratings not being sufficiently supported. Independent review also helps promote consistency and impartiality in rating of projects.

### 3.3 Rationale for Key Decisions Documented

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

*(2018 Report – Volume 1, p. 68, Recommendation 3; Public Accounts Committee agreement October 10, 2018)*

**Status—Implemented**

The Ministry consistently documented rationale for key decisions when recommending infrastructure projects for federal-provincial infrastructure funding.

The Ministry ranks the projects based on the project rating scores, from highest to lowest in a spreadsheet. This spreadsheet provides scoring instructions that explains what an applicant must achieve for a score (e.g. for growth percentage, less than 1% growth is 0 points, 1–2% growth is 1 point, 2–3% growth is 2 points and over 4% growth is 5 points). The Ministry then completes further analysis to determine if the highest-ranking scores are the best projects to recommend for funding, or if a lower rated score should receive funding (e.g., if a project is rated lower but has a public safety component, the Ministry might recommend the project for funding). The recommended projects include as many projects as possible based on the funding available.

Our testing of 47 projects found the Ministry sufficiently documented its rationale for selecting the recommended projects.

Documenting rationale for decisions made in recommending projects for funding can help the Ministry demonstrate it treated all project applications fairly and equitably.

### 3.4 Unsuccessful Applicants Notified

***We recommended 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.*** (2018 Report – Volume 1, p. 70, Recommendation 3; Public Accounts Committee agreement October 10, 2018)

#### **Status**—Intent of Recommendation Implemented

The Ministry provided ineligible and unsuccessful project applicants with timely notification.

There are two ways an applicant may not be successful. Either their project was not eligible under the program guidelines (**ineligible projects**) or their project was eligible but was not selected (**unsuccessful projects**).

**For ineligible projects**, the Ministry has a written process in place to inform the applicant their project was not eligible under program guidelines. Ministry guidance requires staff to communicate to the applicant that their project is ineligible once the staff confirm the ineligibility with a senior engineer.

The Ministry maintains a template to guide staff in communicating with unsuccessful applicants. The template requires staff to explain why the project was ineligible, provide guidance on alternative grant programs for which the project could potentially qualify, if any, and refer applicant to further information on the program.

For each of the five ineligible projects tested, the Ministry communicated with applicants as expected.

**For unsuccessful projects**, the Ministry has an informal (undocumented) strategy to inform applicants their projects were not successful.

For each the 33 unsuccessful projects tested, the Ministry informed applicants timely via email (i.e., within 22 days after Cabinet approved the Ministry's list of recommended projects).

Notifying applicants within a reasonable timeframe about their project's application status helps the applicants to make decisions about those projects and fosters positive relationships with applicants.



## 4.0 OTHER MATTER—DIFFERENT APPROVAL PROCESS NOT MADE PUBLIC

During our testing, we found Cabinet approved 25 projects using a different process than the Government communicated to the public in a news release and the Ministry of Government Relations communicated to the public in *The Investing in Canada Infrastructure Program – Program Guide*.

On March 13, 2019, the Provincial Government announced it was seeking projects for initial consideration for Investing in Canada Infrastructure Program funding. The intent of this expression of interest process was to provide the Provincial Government with a better understanding of infrastructure priorities and funding demands across Saskatchewan. The news release indicated this was step one in a two-step process and that applicants would have to complete detailed project applications later in the year.<sup>10</sup>

The Ministry received approximately 1,400 expressions of interest submissions between March 15 and April 30, 2019 in response to the Government's request. In May 2019, it gave Cabinet the listing of projects, including some high level project detail (e.g. project name, description, nature of the work, whether the project addresses any immediate human health or safety concerns, whether the project benefits more than one community) for its information.

In July 2019, prior to the Ministry starting its normal process to request the first intake of detailed project applications for the program, Cabinet approved 25 projects identified in the initial expression of interest for submission to the Federal Government.

We found Cabinet approved these projects prior to the Ministry completing their detailed assessment and ranking of the projects. This is not consistent with the process documented in *The Investing in Canada Infrastructure Program – Program Guide*.

The Ministry completed a high level assessment of the projects (e.g. assessed whether or not the projects were eligible for funding but did not complete a detailed assessment and ranking of the projects), prior to Cabinet's approval and submitting the 25 projects for the Federal Government review and approval.

The Government did not publicly communicate its plans or use of a different process to select these projects when it announced the approval of some of these projects to the public in September 2019.<sup>11</sup>

These 25 projects represent a total of \$185.5 million in grant funding (including \$106.4 million in federal funding and \$79.1 million in provincial funding) which is approximately 30% of the total grant funding approved for the Investing in Canada Infrastructure Program as of October 31, 2020.

Clearly communicating changes to the process used to evaluate and approve projects for funding can help the Government demonstrate transparency and that it treated all project applications fairly and equitably.

<sup>10</sup> Government of Saskatchewan *Submit Your Community's Priority Infrastructure Projects*, [www.saskatchewan.ca/government/news-and-media/2019/march/13/infrastructure-projects](http://www.saskatchewan.ca/government/news-and-media/2019/march/13/infrastructure-projects) (22 February 2021).

<sup>11</sup> Government of Saskatchewan *Saskatchewan Residents to Benefits from Green and Community Infrastructure Investments*, [www.saskatchewan.ca/government/news-and-media/2019/september/04/gordie-howe-sports-centre%20](http://www.saskatchewan.ca/government/news-and-media/2019/september/04/gordie-howe-sports-centre%20) (22 February 2021).