

Audit at a Glance

Report 1—Federal Support for Sustainable Municipal Infrastructure

What we examined (see Focus of the audit)

This audit focused on federal infrastructure programs intended to improve community environmental sustainability. We assessed whether the objectives of the Gas Tax Fund and the Green Municipal Fund were being achieved. We also examined whether Infrastructure Canada, working in collaboration with others, adequately coordinated the key federal programs under its responsibility. We selected those programs that funded municipal infrastructure and that were intended, among other objectives, to improve the environmental performance and sustainability of Canadian communities.

Why we did this audit

This audit is important because the programs examined are the main ways in which the federal government directly contributes to the environmental sustainability of Canadian communities, and because the programs are substantial investments. As the programs are expected to continue or to be expanded and new ones may be launched, this audit provides an opportunity to identify lessons for the future.

What we concluded

We concluded that Infrastructure Canada was not adequately managing the Gas Tax Fund to achieve the Fund's environmental objectives, and that the Department was not adequately coordinating the key federal infrastructure programs under its responsibility that were intended to improve the environmental performance and sustainability of Canadian communities. We also concluded that the Federation of Canadian Municipalities was managing the Green Municipal Fund to achieve part of the Fund's purpose, but how it was seeking to lever its investments in municipal environmental projects remained to be better defined.

What we found

Gas Tax Fund

Overall, we found that although the Gas Tax Fund has provided predictable funding to municipalities, Infrastructure Canada could not adequately demonstrate that the Fund has resulted in cleaner air, cleaner water, and reduced emissions of greenhouse gases. Infrastructure Canada did not implement the performance measurement strategy that it would have needed to determine whether the Fund was meeting its objectives, and to report on results to Parliament and the Canadian public. We also found that the Department did not consistently manage key accountability and reporting requirements. This makes it difficult for the Department to report back to Parliament about whether the funds have been managed appropriately and used for their intended purposes.

This finding is important because, starting in 2005, Infrastructure Canada paid out \$13 billion in the first round of the Gas Tax Fund and currently provides about \$2 billion each year. However, the Department is unable to provide Parliament with a clear description of the results obtained through a decade of funding. Canadians do not know what results have been achieved for the money spent, and with continuing funding, it is unclear what results they can expect in the future.

- **Infrastructure Canada could not demonstrate that the Gas Tax Fund achieved the intended environmental benefits**

Recommendation. Infrastructure Canada should work with the agreement signatories to develop an effective performance measurement strategy so that it has the information it needs to determine whether the objectives of the Gas Tax Fund have been achieved and to take corrective action when necessary. Infrastructure Canada should use this information to report on Gas Tax Fund outcomes to Parliament and the Canadian public.

- **Infrastructure Canada did not consistently manage key accountability and reporting requirements of the Gas Tax Fund**

Recommendation. We made no recommendations in this area of examination.

Green Municipal Fund

Overall, we found that the Federation of Canadian Municipalities was managing the Green Municipal Fund to support innovative municipal projects across Canada. The Federation was also demonstrating a good practice in tracking and reporting the environmental benefits of the projects it has funded. However, the Federation had not set out a clear description of what results it was trying to achieve in terms of how its investments would influence other municipal projects. Furthermore, mainly because of prevailing economic conditions, the balance in the Fund was at risk of falling below the specified minimum level, thereby putting the achievement of its objectives at risk.

This finding is important because the Green Municipal Fund targets innovative projects intended to improve the environmental performance of Canadian communities—an approach that complements other federal funding programs. To be as effective as possible, the Fund needs clear objectives and performance expectations for all of its activities, and long-term threats to its financial sustainability need to be addressed.

- **The Federation reported the environmental benefits of projects it funded, but did not clearly define how it expected its investments to lever other municipal projects**

Recommendation. The Federation of Canadian Municipalities, in consultation with the Green Municipal Fund Council (which includes Natural Resources Canada and Environment and Climate Change Canada as members), should develop specific objectives, performance targets, and indicators for leveraging its investments in municipal environmental projects.

- **The long-term financial sustainability of the Fund was at risk**

Recommendation. Natural Resources Canada, Environment and Climate Change Canada, and the Federation of Canadian Municipalities should review the terms and conditions in the funding agreement for the Green Municipal Fund and revise them as needed to address the financial sustainability concerns about the Fund. These parties should consider including a requirement for a regular review of the agreement so that it continues to support Fund objectives.

Coordination of federal funding programs

Overall, we found that Infrastructure Canada was working in collaboration with others, but was missing some elements necessary for coordinating the key programs under its responsibility that were intended to improve the environmental performance and sustainability of Canadian municipalities. The Department was not adequately considering environmental risks, such as climate change, in how it made funding decisions, nor did current programs actively encourage the use of innovative approaches to mitigate those risks. The Department did not have sufficient information available to it on the state of infrastructure, funding needs, and sustainability challenges to support strategic and coordinated funding decisions. Infrastructure Canada had developed a long-term plan for infrastructure funding. However, the resulting New Building Canada Plan only addressed some federal roles and responsibilities, without outlining federal infrastructure priorities, or providing clear objectives and ways to measure and report on results.

This finding is important because inadequate consideration of environmental risks means that projects might not be designed to minimize their environmental impacts, or, for instance, to withstand future severe weather events (see 2016 Spring Reports of the Commissioner of the Environment and Sustainable Development, Report 2—Mitigating the Impacts of Severe Weather). Inadequate predictability and clarity of federal programs may affect the ability of communities to identify which funds are most appropriate to their needs and to obtain resources in a timely way. Inadequate information limits the ability of the federal government to design its programs to meet the needs of communities. As a result, federal funds could be less effective in improving the environmental performance and sustainability of municipalities.

- **Infrastructure Canada did not adequately identify or manage environmental risks for the projects it funds**

Recommendation. Infrastructure Canada, in collaboration with its federal, provincial, territorial, and municipal partners, should:

- o clarify the federal roles and responsibilities in relation to those of the other players making decisions related to municipal infrastructure funding, including identifying and managing environmental risks, such as those linked to climate change;
- o address their needs for better information about municipal funding requirements, including nationally consistent asset inventories;
- o provide support to municipalities in their adoption of good practices for asset management;
- o clarify the federal roles in promoting the use of innovative approaches to municipal infrastructure projects that contribute to environmental and financial sustainability; and
- o provide a long-term vision outlining federal infrastructure priorities, with clear objectives, performance measures, and accountability.

• **Infrastructure Canada was missing some critical information and tools for strategic coordination**

Recommendation. To support strategic and coordinated funding decisions, Infrastructure Canada should work with Statistics Canada and other parties, as necessary, to build a source of standardized, reliable, and regularly updated information on the inventory and condition of Canada’s core public infrastructure.

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- o address their needs for better information about municipal funding requirements, including nationally consistent asset inventories;
- o provide support to municipalities in their adoption of good practices for asset management;
- o clarify the federal roles in promoting the use of innovative approaches to municipal infrastructure projects that contribute to environmental and financial sustainability; and
- o provide a long-term vision outlining federal infrastructure priorities, with clear objectives, performance measures, and accountability.

Entity Responses to Recommendations

The audited entities agree with our recommendations, and has responded (see List of Recommendations).

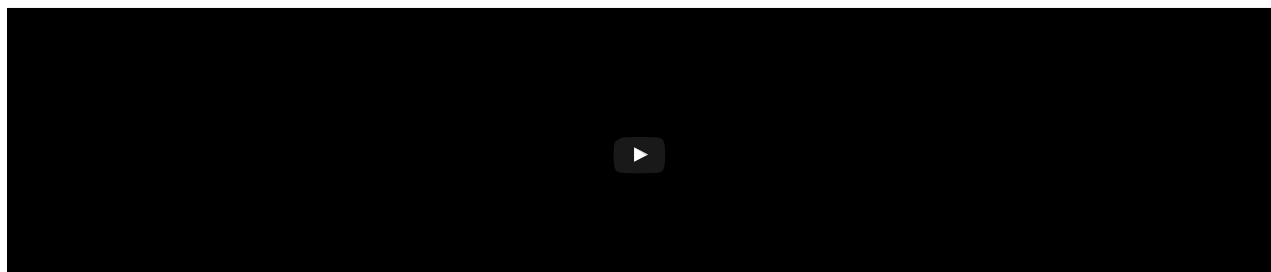
Related Information

Report of the	Commissioner of the Environment and Sustainable Development
Type of product	Performance audit
Topics	<ul style="list-style-type: none"> • Climate Change • Environment • Land • Provinces and Territories • Public Administration
Audited entities	<ul style="list-style-type: none"> • Environment and Climate Change Canada • Federation of Canadian Municipalities • Infrastructure Canada • Natural Resources Canada
Completion date	11 March 2016
Tabling date	31 May 2016
Related audits	<ul style="list-style-type: none"> • Chapter 1—Canada’s Economic Action Plan, 2011 Fall Report of the Auditor General of Canada • Chapter 2—G8 Legacy Infrastructure Fund, 2011 Spring Report of the Auditor General of Canada

For more information

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The Commissioner’s Comments





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