

Municipal Affairs

Summary

Department

The Department of Municipal Affairs has:

- implemented our November 2011 recommendation to clarify its method for initially estimating disaster recovery expense—see below
- implemented our October 2008 recommendation to assess the effect on greenhouse gas emissions of the energy savings that resulted from the projects funded by the Department's ME first! Program and report the lessons learned—see page 132
- made satisfactory progress implementing our October 2009 recommendation that the Department improve its management of the disaster recovery program—see page 132

For outstanding previous recommendations to the organizations that form the Ministry, please see our outstanding recommendations list on page 159.

Findings and recommendations

Matters from prior-year audits

Disaster recovery expense estimates—implemented

Our audit findings

The Department has implemented our *November 2011 Report* (no. 18—page 124) recommendation to clarify its method for initially estimating disaster recovery expenses.

The Department's initial estimates of total costs related to disaster programs, particularly larger scale disasters with significant infrastructure damage, have a high degree of measurement uncertainty. In 2012, we observed that the Department used more accurate and timely information than it had previously. For example, the Department:

- based its estimates of residential claims on estimates claim specialists made shortly after the disaster, rather than estimating \$5,000 per claim as it had previously done
- based its estimates of municipal claims on estimates from the municipalities, verified by claim specialists and engineers—The exception was the Slave Lake wildfire program, for which the Department applied a more conservative general estimate of total cost, due to the size and complexity of the disaster. Studies are underway to more accurately estimate the extent and costs of damage.
- simplified municipal cost estimates by removing individual adjustments for factors such as inflation and incorporating those factors into the general contingency for unknown costs
- reduced the general contingency on individual projects to 10 per cent of the original cost estimate based on historical contingencies required. The exception was the Slave Lake wildfire, for which the Department initially applied a 20 per cent contingency due to the unusual extent of damage.

ME first! Program—implemented

Our audit findings

The Department implemented our *October 2008 Report* (no. 37—page 335) recommendation to assess the effect on greenhouse gas emissions of the energy savings that resulted from the projects funded by the Department's ME first! Program and that the Department report the lessons learned from this program to the departments involved in creating climate change programs.

The Department developed a reasonable process to follow up on the outstanding projects and report when completed. During the year, we noted:

- of the original 84 projects funded under the program, seven projects were incomplete at the start of the year—Of these, four were completed or nearly completed by the end of the fiscal year. The Department expects the remaining three projects to be completed in 2013–2014.
- on completion of all projects, the Department will issue a Lessons Learned document that will include a recalculation of the total energy savings realized from the program.

Disaster recovery program—satisfactory progress

Background

In our *October 2009 Report* (page 301), we recommended that the Department improve its management of the disaster recovery program by:

- setting timelines for key steps before federal government funding can be received
- periodically assessing and adjusting costs and recovery estimates based on current information

Our audit findings

During the year, we observed the following:

- Guidelines were adjusted requiring municipalities to submit claims within six months of a disaster to ensure the Department could meet federal funding application deadlines. The Department also set a deadline of five years to complete all projects, which is consistent with federal funding requirements.
- Generally, the Department does not reassess original cost estimates on municipal claims for the duration of the recovery project. Accruals on longer duration infrastructure recovery projects do not reflect more accurate information of the expected costs to complete based on past experience on the project to date. Larger recovery projects typically have a large initial contingency for unknown costs. If actual costs are not re-assessed after a reasonable period, the Department might overstate project costs.
- The Department monitored projects quarterly for payments made relative to accrued costs. However, it examined related administration costs less frequently. As a result, we found administration costs for certain projects were overstated.

We will consider this recommendation implemented when we observe a reasonable process for periodically assessing and adjusting cost estimates based on current information.