Chapter

2

G8 Legacy Infrastructure Fund

The Spring 2011 Report of the Auditor General of Canada comprises three chapters. The main table of contents for the Report is found at the end of this publication.

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For copies of the Report or other Office of the Auditor General publications, contact

Office of the Auditor General of Canada
240 Sparks Street, Stop 10-1
Ottawa, Ontario
K1A 0G6

Telephone: 613-952-0213, ext. 5000, or 1-888-761-5953
Fax: 613-943-5485
Hearing impaired only TTY: 613-954-8042
Email: distribution@oag-bvg.gc.ca

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G8 Legacy Infrastructure Fund

Main Points

What we examined

The Parry Sound–Muskoka region, host of the June 2010 Group of Eight (G8) Summit, received $50 million in federal funding under the G8 Legacy Infrastructure Fund. The purpose was to fund projects sponsored through municipalities or the province that would help the region prepare for the 2010 G8 Summit, enhance local infrastructure, and showcase the natural beauty of the area for foreign dignitaries and media and provide a legacy for local communities. Projects were to support the safe, secure, and successful hosting of the Summit by improving travel safety, enhancing the image of the region, and improving the security of residents and visitors during the event.

We examined how the G8 Legacy Infrastructure Fund was established, how it was funded, and how projects were selected. We did not examine the effectiveness of projects or the processes used by other government partners to assess projects and put them forward for approval.

Audit work for this chapter was substantially completed on 30 November 2010.

Why it's important

In the past, some regions that have hosted international events on Canada's behalf have received federal funds to compensate them. The June 2010 G8 host region received $50 million in funding for projects to enhance the area, provide a lasting legacy, and help ensure a safe and secure summit. Of the 242 project proposals submitted, 32 projects were approved for funding.

Parliament's approval is needed before funding can be provided and monies spent. When Parliament is asked to approve such funding, it should be provided with clear information on the nature of the request.

What we found

- The funding request presented to Parliament for the G8 Legacy Infrastructure Fund was included within the Supplementary Estimates for Infrastructure Canada under the Border Infrastructure Fund relating to investments in infrastructure to reduce border congestion. This categorization did not clearly or transparently

identify the nature of the approval being sought for G8 infrastructure project expenditures or explain that additional terms and conditions were created to accommodate the G8 Legacy Infrastructure Fund in lieu of those in place under the Border Infrastructure Fund.

- Departments were not involved in the application intake or review process and, therefore, could not provide us with documentation showing how projects were selected. Once given the final list of 32 projects selected for funding, Infrastructure Canada set up mechanisms to administer the contribution agreements. The Department examined the 32 projects to ensure that they met the terms and conditions of the G8 Legacy Infrastructure Fund, set up mechanisms to manage the contribution agreements, maintained project records, and established management frameworks.

The Treasury Board of Canada Secretariat has responded. The Secretariat agrees with our recommendation. Its detailed response follows the recommendation in this chapter.

Introduction

Background

2.1 In June 2008, the Government of Canada announced that Canada would host the June 2010 Group of Eight (G8) Summit in Huntsville, Ontario. Canada has hosted the G8 Summit on four previous occasions—July 1981 (Montebello, Quebec); June 1988 (Toronto, Ontario); June 1995 (Halifax, Nova Scotia); and June 2002 (Kananaskis, Alberta).

2.2 In the past, federal funds have been made available to some regions hosting international or prime minister-led events on Canada's behalf. Regions have benefited from several million dollars made available for hosting. For example, in April 2001, Quebec City received about $4.5 million as it hosted the Summit of the Americas, and we noted a $5 million fund attached to the June 2002 G8 Summit in Kananaskis.

2.3 In February 2009, the Minister of Industry, who was also the Member of Parliament for Parry Sound–Muskoka, announced that $50 million in federal support would be provided for infrastructure projects related to the G8 Summit. At that time, he announced some of the projects that would be funded.

2.4 The Minister of Industry put forward projects to the Minister of Transport, Infrastructure and Communities (Minister of Infrastructure) for G8 infrastructure funding. The Minister of Infrastructure approved 32 projects for funding.

2.5 In November 2009, the **Supplementary Estimates** (B) 2009–10 were tabled in Parliament. They included a request for approval to spend $83 million for an item identified as "Border Infrastructure Fund relating to investments in infrastructure to reduce border congestion." The corresponding **appropriation act** was passed by the House of Commons and received Royal Assent in December 2009.

Estimates—Documents prepared by government in support of its request to Parliament for authority to spend public monies. The **Main Estimates** set out information in support of budgetary and non-budgetary spending authorities that will be sought through appropriation bills. Because the Main Estimates must be tabled on or before 1 March each year, it is not always possible to include emerging priorities and items announced in the government's budget. Such additional requirements are presented in the **Supplementary Estimates** on one or more occasions later in the fiscal year.

Appropriation act—An act that is passed by Parliament to authorize the government to spend public monies. In appropriation acts, schedules set out votes that authorize the amounts of funding specified in the votes.

Focus of the audit

2.6 This audit examined how the G8 Legacy Infrastructure Fund was established, how it was funded, and how projects were selected. We did not examine the effectiveness of the projects or the processes of the other government partners to assess projects and put them forward for approval.

2.7 More details about the audit objectives, scope, approach, and criteria are in **About the Audit** at the end of this chapter.

Observations and Recommendation

Parliamentary approval of funding

The G8 Legacy Infrastructure Fund was administered under the Border Infrastructure Fund

2.8 In February 2009, the Minister of Industry announced that $50 million in federal support would be provided to the host region for infrastructure related to the G8 Summit. We interviewed senior officials at the departments involved in the summit to better understand the process for determining funding levels. These departments included Infrastructure Canada, Industry Canada, the Office of the Coordinator for the 2010 Olympics and G8 Security (Privy Council Office), the Royal Canadian Mounted Police, and the Summits Management Office (Foreign Affairs and International Trade Canada). Senior officials were not able to provide us with any information and said their input had not been sought as part of that process.

2.9 At that time, the government decided that the Border Infrastructure Fund (BIF) would be used as the vehicle to administer and deliver the funding for this G8 initiative. Approval was also given to exempt G8 Legacy Infrastructure projects from meeting the existing terms and conditions of the Border Infrastructure Fund. Under the BIF, projects would normally be required to share costs with other public or private sector partners and be located at pre-identified border sites.

2.10 In June 2009, the Treasury Board approved Infrastructure Canada's submission for the G8 infrastructure program, providing the authority to enter into **contribution agreements** with project recipients and authority to include a request for $50 million in the Supplementary Estimates. For the G8 Legacy Infrastructure projects, new terms and conditions were established, which included that selected projects would

Contribution agreements—Contracts outlining conditions for payments from the government to provincial and municipal summit partners. A contribution is to be accounted for and is subject to audit.

- support the summit, enhance the area, and provide a lasting legacy to the region;
- be completed before 31 March 2010; and
- be sponsored by other government partners.

The funding request was not made in a transparent manner

2.11 In November 2009, Supplementary Estimates (B) 2009–10 were tabled in the House of Commons. They included an item of $83 million for the "Border Infrastructure Fund relating to investments in infrastructure to reduce border congestion" (Exhibit 2.1). The Treasury Board of Canada Secretariat provided us with documentation showing that the intention was to use $50 million of this $83 million for G8 Summit projects. We noted, however, that this was not presented in the funding request made to Parliament through the Supplementary Estimates. Therefore, when Parliament considered the Supplementary Estimates as tabled, the request only indicated that money was to be used to reduce border congestion.

2.12 Treasury Board of Canada Secretariat officials explained to us that estimates contain, and combine, a large amount of expenditure information. Officials stated that it is government practice to present this information to Parliament at a very high level in order to ensure a manageable process.

Exhibit 2.1 Funding requested for the G8 Legacy Infrastructure Fund was not identified as such

Office of Infrastructure of Canada requests funds for the following items:	Explanation of Requirements (In thousands of Canadian dollars)		
Voted Appropriations	**Vote 50**	**Vote 55**	**Total**
Funding for the Provincial-Territorial Infrastructure Base Funding Program to provide long-term, predictable and flexible funding to provinces and territories for infrastructure	...	263,885	263,885
Funding for the Building Canada Fund relating to investments in public infrastructure projects designed to improve the quality of life in both urban and rural communities	2,492	158,299	160,791
Funding for the Canada Strategic Infrastructure Fund relating to investments in public infrastructure projects designed to improve the quality of life in both urban and rural communities (*horizontal item*)	92	122,706	122,798
Funding for the Border Infrastructure Fund relating to investments in infrastructure to reduce border congestion	**...**	**83,272**	**83,272**
Funding for the National Trails Coalition for an initiative to create, upgrade and sustain non-motorized, snowmobile and all-terrain-vehicle trails throughout the country (*Budget 2009*)	...	2,500	2,500
Gross Voted Appropriations	**2,584**	**630,662**	**633,246**
Funds Available			
Less: Spending authorities available within the Vote	...	82,500	82,500
Total Voted Appropriations	**2,584**	**548,162**	**550,746**

Source: Supplementary Estimates (B), 2009–10

2.13 In our view, by presenting the request for funding in the Supplementary Estimates in this way, the government was not being transparent about its purpose. Parliament was not provided with a clear explanation of how these funds were to be spent or informed that a special one-time exemption to the pre-existing terms and conditions of the Border Infrastructure Fund had been made to accommodate the G8 Fund.

2.14 The following year, because all $50 million was not expended during the 2009–10 fiscal year, the deadline for projects to be completed was extended to June 2010. Parliamentary approval to spend the remaining $10 million in unused funds in the next fiscal year was sought through the Supplementary Estimates (A) 2010–11. This time, the Supplementary Estimate item was labelled "Funding for Border Infrastructure Fund related to projects in support of the 2010 G8 Summit," which pointed out that funding was being sought for projects related to the G8 Summit. In our view, this is still not clear because it suggests that these projects were somehow related to border infrastructure, which was not the case.

2.15 **Recommendation.** The Treasury Board of Canada Secretariat should review the practices for determining the information that is presented to Parliament in the Estimates. It should amend its processes so that when Parliament approves funds, it is presented with clear and accurate information about how the funds will be used.

Treasury Board of Canada Secretariat's response. Agreed. For similar circumstances, the Treasury Board of Canada Secretariat will undertake to provide increased transparency in the presentation of such programs in the Estimates.

Project selection

There is a lack of documentation to show how projects were selected

2.16 By February 2009, the Minister of Industry had announced several projects that would receive funding under the G8 Legacy Infrastructure Fund. As well, the **2010 G8 Summit Liaison and Implementation Team** had worked with local and regional authorities to identify and advance projects for consideration. In total, 242 projects were identified by municipalities, communities, and stakeholders. We asked Infrastructure Canada for documentation showing how the 242 projects were reviewed and selections made. The Department did not manage the application intake or the identification of priorities for funding and, therefore, was not able to provide us with this documentation.

The 2010 G8 Summit Liaison and Implementation Team—A local group comprising the Minister of Industry, the Mayor of Huntsville, and the General Manager for the Deerhurst Resort, where the summit would take place.

2.17 The Treasury Board approval in June 2009 indicated that this Summit Liaison and Implementation Team would liaise with the Summits Management Office at Foreign Affairs and International Trade Canada to ensure that the needs of the G8 Summit were supported. We asked the Summits Management Office to provide us with any documentation showing how it was involved in the review and/or selection of projects. We were informed that it had not been involved in the review or selection of the 242 projects, but it had briefed local communities on the G8 Summit.

2.18 The purpose of the fund was to help the Parry Sound–Muskoka region prepare to host the 2010 G8 Summit, enhance local infrastructure, and showcase the natural beauty of the area to foreign dignitaries and media. Projects were to support the safe, secure, and successful hosting of the Summit by improving travel safety, enhancing the image of the region, and improving the security of residents and visitors during the event, as well as provide a lasting legacy to the region. Funding would be available only for municipal or provincial projects. Of the 242 project proposals submitted, 33 projects were put forward by the Minister of Industry to the Minister of Infrastructure for consideration. Thirty-two projects were subsequently approved and funded, and one project was withdrawn by a municipality (Exhibit 2.2). However, due to the lack of supporting documentation, we could not conclude on the process to choose the projects put forward for funding consideration or determine why they were selected.

2.19 We are concerned about the lack of documentation in the process for selecting projects for funding. Supporting documentation is important, in our view, to show that the selection process was transparent, and provides a mechanism for accountability. When the Treasury Board approved Infrastructure Canada's submission for the G8 infrastructure program, it stated that the Treasury Board Policy on Transfer Payments be respected. Under this policy, any expenditure of public funds should demonstrate transparency, accountability, and value for money.

2.20 For example, we looked for selection documentation for the Huntsville G8 Centre (Community Recreation Complex—$16.7 million) and expansion (Facility for Waterloo University—$9.75 million), which were constructed for the Summit. The expansion was ultimately not used as announced—a facility to coordinate overall logistics for the event and serve as an accreditation hub to vet thousands of people attending the event. At the time of the announcement, we found that Foreign Affairs and International Trade

Canada had not yet identified what activities could be housed in the G8 Centre. However, the Department informed us that it did ultimately use these facilities for some activities related to the Youth Summit.

Infrastructure Canada administered the contribution agreements

2.21 We found that for the 32 projects approved by the Minister, Infrastructure Canada set up mechanisms to administer the contribution agreements. The Department examined the 32 projects to ensure that they met the terms and conditions of the G8 Legacy Infrastructure Fund and that agreements were made in accordance with government policy. Infrastructure Canada maintained project records and established project management frameworks. At the time of our audit, project recipients had submitted claims for reimbursements totalling about $41 million.

Conclusion

2.22 In our view, the manner in which the G8 Legacy Infrastructure Fund was presented did not make clear to Parliament the full nature of the request. By including the request under the item "Funding for the Border Infrastructure Fund relating to investments in infrastructure to reduce border congestion," the government did not clearly or transparently identify the nature of the request for funding—that is, G8 infrastructure project spending.

2.23 We could not conclude on project selection because documentation was not available to show how projects were chosen. We found that Infrastructure Canada set up mechanisms to administer the contribution agreements to provide funding for the 32 approved projects. The Department examined the 32 projects to ensure that they met the terms and conditions of the G8 Legacy Infrastructure Fund and that agreements were made in accordance with government policy. Infrastructure Canada maintained project records and established project management frameworks.

Exhibit 2.2 Projects funded by the G8 Legacy Infrastructure Fund were supported by municipalities

Entity and project description	Maximum estimated contribution by Canada (in Canadian dollars)
Town of Huntsville	**29,206,100**
Reconstruction of Deerhurst Drive and Ski Club Road	2,400,000
Community Recreation Complex	16,700,000
Facility for Waterloo University	9,750,000
Port Sydney beautification — Examples: dock resurfacing, flower baskets, beach bathroom, and parking lot improvements	250,000
Huntsville beautification — Examples: outdoor Group of Seven murals, benches	106,100
Jack Garland Airport Corporation (North Bay)	**3,510,745**
Runway resurfacing and airfield lighting and signage	3,510,745
Township of Seguin	**745,000**
Beautification and streetscape — Examples: sidewalk upgrades, landscaping, and gazebo	745,000
Town of Kearney	**730,000**
Improvements to Main Street — Examples: paving and street lighting	730,000
Township of Muskoka Lakes	**1,060,000**
Signage for trails, parks, and facilities	250,000
Bala Falls Road streetscape improvements — Examples: paving, storm sewers, sidewalks, and street lights	400,000
Paignton House Road reconstruction and lighting	410,000
Town of Gravenhurst	**1,200,000**
Town beautification — Examples: street lighting upgrades and new outdoor furniture	1,200,000
Township of Perry	**100,000**
Improvements to Bay Lake Road	100,000
Township of Burk's Falls	**150,000**
Improvements to town centre — Examples: public washrooms, sidewalks, and electronic sign	150,000
Town of Parry Sound	**1,321,750**
Town beautification — Examples: water fountain, welcome sign, and landscaping	178,000
Downtown streetscaping — Examples: new sidewalks and trees	1,143,750
District of Muskoka	**1,800,000**
Construction of water main on Canal Road, Deerhurst Drive, and Ski Club Road; resurfacing of Canal Road	1,800,000

Exhibit 2.2 Projects funded by the G8 Legacy Infrastructure Fund were supported by municipalities (continued)

Entity and project description	Maximum estimated contribution by Canada (in Canadian dollars)
Town of Bracebridge	**1,490,000**
Sportsplex electrical retrofit	40,000
Gateway signage on Highway 11	150,000
Annie Williams Park facility — Examples: outdoor stage and public washrooms	500,000
Revitalization of downtown — Examples: road improvements, light fixtures, and outdoor furniture	800,000
Village of South River	**65,000**
Community beautification — Examples: cement planters and outdoor furniture	65,000
Township of Lake of Bays	**455,350**
Construction of band shell and public washrooms	274,850
All-season roofed heritage plaque in Baysville	38,500
Baysville community streetscape improvements — Examples: lighting, trees, murals, and welcome signs	142,000
District of Muskoka	**700,000**
Muskoka Gateway signs	375,000
Muskoka Visitor Information Centre improvements	325,000
Town of Sundridge	**875,000**
Revitalization of downtown — Examples: new sidewalks and picnic shelter	125,000
Civic improvement package — Examples, updating signage, new town clock, and renovating band shell	750,000
Township of Georgian Bay	**2,000,000**
Streetscape Linear Park — Examples: improvements to road design, waterfall, and welcome sign	1,000,000
Port Severn Gateway feature — Examples: playground, pathways, and park facilities	1,000,000
Ontario Ministry of Transportation	**350,000**
Contribution to an existing 80% complete $19-million provincial project on the Vernon Lake Narrows Bridge	350,000
GRAND TOTAL	**$45,758,945**

Note: Figures exclude $1,000 per agreement for signage

Source: Prepared by the Office of the Auditor General using unaudited data provided by Infrastructure Canada.

About the Audit

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by The Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

Objectives

The objectives of this audit were to examine the process for allocating federal funds for the G8 Legacy Infrastructure Fund to determine how the fund was established and how projects were selected.

Scope and approach

Our audit focused on the federal funding provided to the Parry Sound–Muskoka region for projects to support the safe, secure, and successful hosting of the G8 Summit by enhancing local infrastructure and the natural beauty of the area.

We examined available documentation and obtained explanations from government officials on how the G8 Legacy Infrastructure Fund was established, how it was funded, and how projects were selected. We did not examine the effectiveness of the projects or the processes of the other government partners to assess projects and put them forward for approval.

We included in this audit the federal departments who had an involvement in the G8 Legacy Infrastructure Fund—the Treasury Board of Canada Secretariat, Infrastructure Canada, Industry Canada, and Foreign Affairs and International Trade Canada.

Criteria

To determine whether the processes used to plan for and estimate the funds required, and to allocate funding for the G8 Legacy Infrastructure Fund, included appropriate senior management review, we used the following criteria:	
Criteria	**Sources**
The G8 Legacy Infrastructure Fund is designed and delivered in a manner that ensures that it will meet its objectives set by government and clearly demonstrate that value for money was received.	• Policy on Transfer Payments, Treasury Board, 2008 • Approved Treasury Board submissions by Infrastructure Canada requesting authorities for the G8 Legacy Infrastructure Fund, including terms and conditions • A Guide to Preparing Treasury Board submissions, Treasury Board
To determine whether the funds were requested from Parliament in a clear and transparent manner, we used the following criteria:	
Criteria	**Sources**
Funding received from Parliament is used as explained in a clear and transparent manner.	• *Auditor General's Act*, section 7.2(c) • Appropriation acts • Government Estimates • *Financial Administration Act* • Approved Treasury Board submissions by Infrastructure Canada requesting authorities for the G8 Legacy Infrastructure Fund, including terms and conditions • Policy on Financial Resource Management, Information and Reporting, Treasury Board, 2010

Management reviewed and accepted the suitability of the criteria used in the audit.

Period covered by the audit

This audit examined events that occurred between June 2008 and November 2010. Audit work for this chapter was substantially completed on 30 November 2010.

Audit team

Assistant Auditor General: Wendy Loschiuk
Principal: Dale MacMillan
Director: Dan Thompson

Sarah Crain
Andrew Hayes
Beth Stewart

For information, please contact Communications at 613-995-3708 or 1-888-761-5953 (toll-free).

Appendix List of recommendations

The following is the recommendation found in Chapter 2. The number in front of the recommendation indicates the paragraph where it appears in the chapter. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
Parliamentary approval of fundings	
2.15 The Treasury Board of Canada Secretariat should review the practices for determining the information that is presented to Parliament in the Estimates. It should amend its processes so that when Parliament approves funds, it is presented with clear and accurate information about how the funds will be used. **(2.8–2.14)**	Agreed. For similar circumstances, the Treasury Board of Canada Secretariat will undertake to provide increased transparency in the presentation of such programs in the Estimates.

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