

The Department of Municipal and Provincial Affairs is not complying with program guidelines. We found that:

- 5 municipalities were approved for funding totalling approximately \$1.2 million even though they were not subject to a boil water advisory.
- 53 municipalities were approved for full funding in excess of the \$100,000 limit, the total funding approved for these 53 municipalities totalled \$8.7 million. The \$100,000 limit was announced by Government in the House of Assembly during the Budget Speech. However, the Department, without authority, increased the \$100,000 limit for purchases related to the installation costs of primary disinfection systems. Therefore, we applied the \$100,000 limit as announced in the House of Assembly, and as referred to by the ministers of both Municipal and Provincial Affairs, and Environment, subsequent to the Department's revision.
- 6 municipalities were approved for funding totalling approximately \$1.2 million for more than one project.
- 3 municipalities were approved for funding of approximately \$94,000 for ineligible projects.
- Project files did not always contain the required signed agreements from the municipality.

2.32 Newfoundland and Labrador Housing Corporation Non-Profit Rental Social Housing Units

In 1997, the Newfoundland and Labrador Housing Corporation and the Canada Mortgage and Housing Corporation (CMHC) entered into an agreement which transferred all responsibility for operating and maintaining the rental units and home-owner programs to the Corporation. Under this Agreement, CMHC provides a predetermined annual level of funding on a decreasing basis up to and including the year 2038.

The Corporation's non-profit rental social housing units are in need of significant repairs. At 31 January 2003, 3,004 or 52% of the Corporation's 5,756 non-profit rental social housing units were in excess of 25 years old. In 2001, the Corporation prepared a preliminary cost estimate totalling \$76.7 million relating to modernization and improvements of these units. Although the Corporation is undertaking a detailed review of each building to determine a more accurate cost estimate and when the funding will be required, at 31 January 2003, 66% of the buildings had not been reviewed. As a result of the reviews completed, the Corporation has identified that in excess of \$29 million will need to be spent on these properties. The Corporation has also determined that, of this \$29 million, \$13 million is rated as critical and in need of immediate attention. While Corporation officials have discussed funding requirements with the Provincial Government, no source has yet been identified to fund the required repairs.

The Corporation does not have a preventative maintenance program in place to identify and correct deficiencies before they become larger problems. The Corporation does have a budget for repairs and maintenance which annually averages \$8.2 million; however, the majority of maintenance work is directed to critical repairs on a day-to-day basis.

The Corporation does not have a complete long-term plan currently in place which addresses the nature, amount, timing and funding source of future capital expenditures. The Corporation has undertaken a number of initiatives in an attempt to identify future capital funding requirements for its non-profit rental social housing units; however, it has still not gathered sufficient information required for a complete long-term plan. Furthermore, although the Corporation does have a budget for modernization and improvements averaging \$3.6 million per year over the past five years, based on the information that the Corporation has gathered relating to required capital costs, this funding is considered to be inadequate. The Corporation has indicated that the lack of funding has led to "... *the detriment of tenant living conditions* ...".

The Corporation has indicated that it is presently experiencing a high demand for one and two bedroom units while the need for four and five bedroom units has declined. This demand is the result of demographic changes such as an aging population, more single

parents and fewer children per household. As a result, vacancies in four and five bedroom units are becoming increasingly difficult to fill without over-housing the prospective tenants. At 11 December 2002, 2,026 units or 35% of the 5,756 rental units were occupied by families smaller than the unit's capacity.

2.33 Special Assistance

Special assistance is budgeted under the *Municipal* Financial Assistance Program of the Department of *Municipal* and Provincial Affairs to provide assistance to municipalities and other entities. Given the Department's focus on municipalities, it would be reasonable to expect that the majority of this assistance would relate to municipalities and in 1999, 2000, and 2001, the majority of assistance did relate to municipalities. However, in 2002 only 46% of funding related to municipalities and in 2003, only 47% of the funding related to municipalities. Special assistance funding to municipalities has decreased significantly since 1999 when 79% of the funding was provided to municipalities. In my opinion, the funds provided for in this account were not used for the purpose authorized by the Legislature and, therefore, the Department contravened the *Financial Administration Act*.

The Department is not complying with the Program Guidelines. In particular, our review of 110 approved projects indicated the following:

- Recommendations of the Department's Executive Committee, comprised of the Deputy Minister and the Assistant Deputy Ministers, were not documented; therefore, we could not determine whether funding decisions for any of the projects reviewed for the year ended 31 March 2003 were assessed and approved by this Committee.
- Projects were not always approved by the Minister of Municipal and Provincial Affairs as required. For 13 of 73 projects which were not approved by the Minister, the projects were approved by the Premier's Office or the Minister of Finance. Ten of the 13 projects were for groups other than municipalities.