

September 25, 2009

REVIEW OF THE GREEN MUNICIPAL FUND – FINAL AUDIT REPORT

Management Response

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The Federation of Canadian Municipalities (FCM) is pleased with the overall result of the report and is in general agreement with its observations and recommendations.

FCM will continue to make improvements, particularly in response to KPMG's recommendations and observations, which will be reflected and comprised in future Green Municipal Fund (GMF) Annual Statements of Plans and Objectives and workplans.

RECOMMENDATION #1: It is recommended that the GMF increase its focus on retention and succession planning in conjunction with its corporate and human resource planning exercises.

Response:

- FCM agrees with this recommendation.
- FCM's 2010–2011 Human Resources Plan includes the development of a retention and succession planning program.

RECOMMENDATION #2: Management should continue its efforts to monitor and reduce the time frame required to finalize contracts.

Response:

- FCM agrees with this recommendation.
- As observed by KPMG, FCM recognizes that the time frame to finalize contracts has often exceeded the target set for contract finalization and is an area for improvement. All new funding contracts must be now signed by the applicant within a maximum timeframe of six months following the date of its approval. As also observed by KPMG, FCM has taken a number of steps to improve the timeliness of

the contract finalization process. FCM will continue to make improvements.

RECOMMENDATION #3: Management should continue its efforts to monitor and reduce the time frame required to review and issue disbursements. Consideration should also be given to revisiting the GMF disbursement policy to enable the provision of interim payments in all sectors to support the progress of capital projects, based on project risk levels.

Response:

- FCM agrees with this recommendation.
- As observed by KPMG, FCM has taken steps to improve the timeliness of contract management procedures through the separation of Application and Contract Officer responsibilities, along with the use of the backlog and the Seibel database monitoring and disbursement reports to more proactively monitor the timeliness of disbursements and project progress. In addition, FCM has developed and implemented more formal disbursement procedures and checklists that are now in place to help prevent these instances from recurring. FCM has engaged an external consulting firm to review the GMF disbursement process to identify areas to improve its efficiency, and has also introduced procedures through which capital project funding can be disbursed upon the receipt of an auditor's report in lieu of the submission of invoices and receipts for the project.
- As observed by KPMG, where disbursements are made prior to and during construction, FCM will be assuming more of the project risk. Analysis of risk will be key in the assessment of the interest rate and the timing of the loan disbursements. Staff

will review documentation and project information requirements as well as the disbursement process to estimate and monitor the project risk during project construction.

RECOMMENDATION #4: Management should continue its plans to implement a more robust performance measurement system.

Response:

- FCM agrees with this recommendation.
- As observed by KPMG, FCM is developing new processes to better measure and report on the impacts and outcomes of GMF project funding. FCM is currently pilot testing a new performance measurement system based on a series of results-based environmental, economic, and social indicators and measures, developed by the International Institute for Sustainable Development (IISD), and aligned with the GMF's logic model approach and key results areas.
- This new system will allow FCM to measure and report on the impacts and outcomes of GMF-funded projects at a consolidated level and will enable the GMF to satisfy an important accountability condition of the Funding Agreement.