

AGLG
2017/2018



**AUDITOR GENERAL FOR
LOCAL GOVERNMENT**
ANNUAL REPORT

Covering the Period April 1, 2017 through March 31, 2018



**AUDITOR GENERAL FOR
LOCAL GOVERNMENT**

ACCESSIBILITY • INDEPENDENCE • TRANSPARENCY • PERFORMANCE

MESSAGE FROM THE AUDITOR GENERAL FOR LOCAL GOVERNMENT



I'm pleased to present the annual report of the office of the Auditor General for Local Government (AGLG) for the period April 1, 2017 through March 31, 2018.

Our annual report serves as the office's most important single accountability tool, providing us with an opportunity to reflect on the work we have completed over the past year and to be accountable to local governments, the Province and B.C. taxpayers. It is complemented by the AGLG's 2018/19-2020/21 Annual Service Plan, which describes our plans to continue the work outlined in this report over the next three years.

The 2017/18 year was similar to our previous year in many ways: we carefully planned and completed our performance audit-related work and continued to engage with our stakeholders. We effectively carried out the work we had planned and continued to develop as a small and relatively young audit office.

I want to especially thank the AGLG staff for their continued hard work and dedication to carrying out our important mandate. Together, we accomplished much more than can be described here and our successes are due to outstanding teamwork.

In 2017/18, we released three performance audit reports, one on emergency management and two relating to local government's provision of clean drinking water. The latter two reports were our most complex audits to date and some people may consider each of them to be 'three audits in one.' We also substantively completed one AGLG Perspectives booklet related to emergency management. I'm pleased that the feedback we received from our auditees continued to be positive, both on our approach and on the value we add.

We were proud to receive our second Top Work Unit Award for employee engagement and to achieve positive results once again in the 2018 Work Environment Survey.

As in previous years, I continued to meet with many local governments during the year, as well as others with an interest in our work. I very much appreciated their input and support. In addition, we made presentations at local government events and staffed an AGLG information booth at three local government-related trade shows. This was another opportunity for us to hear directly from the local governments we are here to assist in their efforts to be accountable and to deliver services economically, efficiently and effectively to their residents.

As we begin the next fiscal year, we remain committed to building constructive relationships with those having an interest in local government and the work we do to assist local governments in delivering value for the tax dollars they spend.

I would also like to thank the Audit Council for its advice, guidance and support over the past year.

A handwritten signature in black ink, which appears to read 'Gordon Ruth'. The signature is fluid and cursive, written in a professional style.

Gordon Ruth, FCPA, FCGA
Auditor General for Local Government
Surrey, BC

MESSAGE FROM THE CHAIR OF THE AUDIT COUNCIL



In accordance with Section 19 (1) of the Auditor General for Local Government Act, the Audit Council is responsible for reviewing and monitoring the performance of the AGLG. The Audit Council is responsible for commenting to the AGLG on the annual report and acknowledging the activities and performance of the AGLG as presented in this annual report in respect to the annual service plan goals and objectives.

This annual report represents another successful year under the leadership of Gordon Ruth in the role of Auditor General of Local Government. As in the prior year, the Audit Council is very pleased with the results achieved by the AGLG office in the 2017/2018 fiscal year. Most notable are the following achievements:

- A high level of AGLG employee engagement specifically reflected in high job and organizational satisfaction.
- Met or surpassed most performance targets set out in the 2017/18 Annual Service Plan.
- Generally very positive feedback received from local government auditees and staff.
- Every recommendation included in audit reports was accepted by the local government auditees.
- 2017/2018 saw the AGLG become a practice firm under the Bylaws of the Chartered Professional Accountants of British Columbia (CPABC).
- Another strong year of financial performance where targets were met or exceeded generating a financial surplus.

The Audit Council is pleased to see the continuation of high levels of engagement as the AGLG continues an extensive program of consultation with local governments and other stakeholders. It is through this level of engagement that important issues can emerge leading to more focused audit plans and adding value for all stakeholders.

The Audit Council continues to be impressed with the quality of work produced by the AGLG from a relatively small but dedicated team of professionals. The focus on quality results in a professional manner is evident in the high survey ratings on audit report satisfaction and the professional conduct of AGLG Audit staff.

On behalf of the Audit Council,

A handwritten signature in black ink, appearing to read 'Anthony Ariganello'. The signature is fluid and cursive, written over a light blue horizontal line.

Anthony Ariganello, CPA, FCGA
Chair, Audit Council

HIGHLIGHTS

— 2017/2018 —

OF OUR YEAR



4.3 OUT OF 5

RATING OF SATISFACTION
WITH AUDIT REPORTS



4.7 OUT OF 5

RATING OF
PROFESSIONAL
CONDUCT



4.0 OUT OF 5

RATING OF
AWARENESS
OF OFFICE



3.1 OUT OF 5

RATING OF
VALUE OF
OFFICE

88%

EMPLOYEE SATISFACTION
WITH THE ORGANIZATION

16



ENGAGEMENT SESSIONS WITH
STAKEHOLDERS

100%

OF RECOMMENDATIONS
ACCEPTED BY AUDITEES

TABLE OF CONTENTS



MESSAGE FROM THE AUDITOR GENERAL FOR LOCAL GOVERNMENT	2
MESSAGE FROM THE CHAIR OF THE AUDIT COUNCIL	3
HIGHLIGHTS OF OUR YEAR	4
PURPOSE AND MANDATE	6
GOVERNANCE	6
ROLE OF THE AUDIT COUNCIL	6
OUR OVERALL PERFORMANCE	7
GOALS, OBJECTIVES AND PERFORMANCE MEASURES FOR 2017/18	9
GOAL 1: PROVIDE LOCAL GOVERNMENTS WITH OBJECTIVE, HELPFUL ADVICE	9
GOAL 2: ENGAGE AND CONSULT WITH LOCAL GOVERNMENTS AND OTHER STAKEHOLDERS	11
GOAL 3: STRENGTHEN THE FOUNDATION FOR OUR SUCCESS	12
DISCUSSION OF RESULTS	12
FINANCIAL RESULTS 2017/18	13
DISCUSSION OF FINANCIAL RESULTS	13
AGLG CONTACT INFORMATION	14

“We applaud the Auditor’s desire to provide a document that would highlight best practices and be a useful resource to other local governments.”

MAYOR COLIN BASRAN, CITY OF KELOWNA

PURPOSE AND MANDATE

The *Auditor General for Local Government Act (Act)* establishes the AGLG’s purpose and mandate:

To conduct performance audits of the operations of local governments in order to provide local governments with objective information and relevant advice that will assist them in their accountability to their communities for the stewardship of public assets and the achievement of value for money in their operations.

The *Act* defines local governments as including municipalities, regional districts, greater boards, commissions, corporations or other organizations that are financially controlled by one or more municipalities, regional districts or greater boards and any other local body that may be prescribed by regulation.

During 2017/18, 190 municipalities, regional districts and greater boards in British Columbia continued to fall under this definition, along with more than an estimated 200 associated boards and entities.

GOVERNANCE

Although our office is funded by the Province of British Columbia for its core responsibilities, as set out in the *Act*, and must adhere to the Province’s core administrative policies, the AGLG carries out our performance audits with functional independence from government. Several characteristics make this the case:

- The Lieutenant Governor in Council appoints the AGLG on the recommendation of the Minister of Municipal Affairs and Housing, after considering the recommendation of the Audit Council
- The Audit Council is responsible for reviewing and monitoring the performance of the AGLG
- The Legislature allocates our budget through a separate voted appropriation

- The AGLG has sole discretion to select the audits the office carries out, subject to our Annual Service Plan
- We issue AGLG reports and recommendations without ministerial or other government approvals
- The office of the AGLG functions with professional independence and adherence to standards

ROLE OF THE AUDIT COUNCIL

The Audit Council is provided for under the *Act* and was first appointed by the Government of British Columbia in April of 2012. The Audit Council plays a pivotal role in ensuring the accountability of the office.

The *Act* says that the Audit Council shall include at least five individuals with knowledge, skills, education or experience in fields such as accounting, auditing, governance of the province, local and regional governance or another area set out in regulation. It plays a key role in monitoring the effectiveness of the AGLG and supports the office by providing independent guidance and advice. In 2017/18, the Audit Council included six members with diverse backgrounds, three of whom had direct experience in local government. One member’s term completed at year-end and five of the members remaining were reappointed by Government to various dates in 2019.

The Audit Council recommends to the Minister the appointment of the AGLG and monitors and reviews the AGLG's performance. The Audit Council assists the AGLG in maintaining its accountability to all British Columbians.

The Audit Council also provides comments on our service plan, annual report, performance audit reports and AGLG Perspectives booklets, thereby contributing to the AGLG's effectiveness in helping bring the greatest possible value to local governments and taxpayers.

We work closely with the Audit Council, taking advantage of its members' experience, skills and expertise. We consider them to be trusted advisors.

OUR OVERALL PERFORMANCE

We measure our performance in several different ways. Some of these are included in the performance measures outlined in this report, while others are less formal, based on what we hear from our stakeholders. This year we met or exceeded most of the performance targets set in our 2017/18 Annual Service Plan; most notable was the generally positive feedback we received from our auditees and our staff.

The office released three performance audit reports in 2017/18 and substantively completed one AGLG Perspectives booklet. Over the past two years of our three-year audit plan, we have completed an average of five reports per year. Over the past five years, we have published a total of 30 reports, including 26 performance audit reports and four AGLG Perspectives booklets. We also made significant progress toward completing our AGLG Perspectives booklet on Emergency Management, which was published in early April 2018, aimed primarily at elected officials.

In 2017/18, we developed a process for follow-up audit work, which is now embedded into our annual audit planning process. This will be implemented during 2018/19.

Every recommendation included in the audit reports we released during 2017/18 was accepted by the local government auditee; some had already made progress in implementation even before the audit process was complete. A recent survey of chief administrative officers (CAOs) and mayors/chairs showed that nearly half of the respondents including many local governments we have not yet audited—had made changes to their policies or practices as a result of our work.

This year saw the office become a practice firm under the Bylaws of the Chartered Professional Accountants of British Columbia (CPABC), consistent with the limits in scope of our legislated mandate.

In addition to the performance audit work we undertook during 2017/18, we also held a workshop with some of our stakeholders regarding the audit topics of emergency management and drinking water. This provided us with valuable input on these important topics and the results were helpful in developing our future work.

These types of 'face to face' discussions have proven to be valuable and the feedback we received throughout has encouraged us to consider additional ways of engaging with local governments and our other stakeholders.

In 2017/18, we continued to integrate elements of engagement with local governments and other interested stakeholders into everything we did. This included:

- Several face-to-face meetings
- Post-audit survey questionnaires to get feedback from our auditees
- Trade show booths at the Union of BC Municipalities convention, the Local Government Leadership Academy and the Local Government Management Association of British Columbia Annual Conference

- Presenting our work at local government-related events such as the Government Finance Officers Association of BC conference, Capilano University Certificate program on Local Government and a City of Vancouver-sponsored audit-related workshop
- Helping to build capacity in local governments by inviting them to attend an audit-related training session we hosted for our staff

In 2017/18, we also continued to create and enhance internal administrative policies and practices to support our office's work.

Supporting a professional work environment is fundamental to this office and this year we continued to build and work with our staff to strengthen the foundation for our success. This included staff attending professional training seminars, participating at local government events and making presentations on the work we do. In addition, as part of building our team, our staff supported our local community by volunteering at the Surrey Food Bank.

Our positive overall results for the year are reflected in our recent Work Environment Survey, where our overall Engagement Score was 85 out of 100 points, Commitment to the Public Service was 84, Job Satisfaction was 83 and Organization Satisfaction 88. These results compare to BC Public Service average scores of 68, 70, 69 and 65. Our results place us in the 95th percentile of work units across the BC Public Service. Our results were excellent and a slight improvement in several areas since last year.

“Our Board and Management Team at the Regional District believe this to have been a worthwhile endeavor and have provided a response as to how we will address each of the 24 recommendations. We assure the AGLG that we will work with purpose on implementation.”

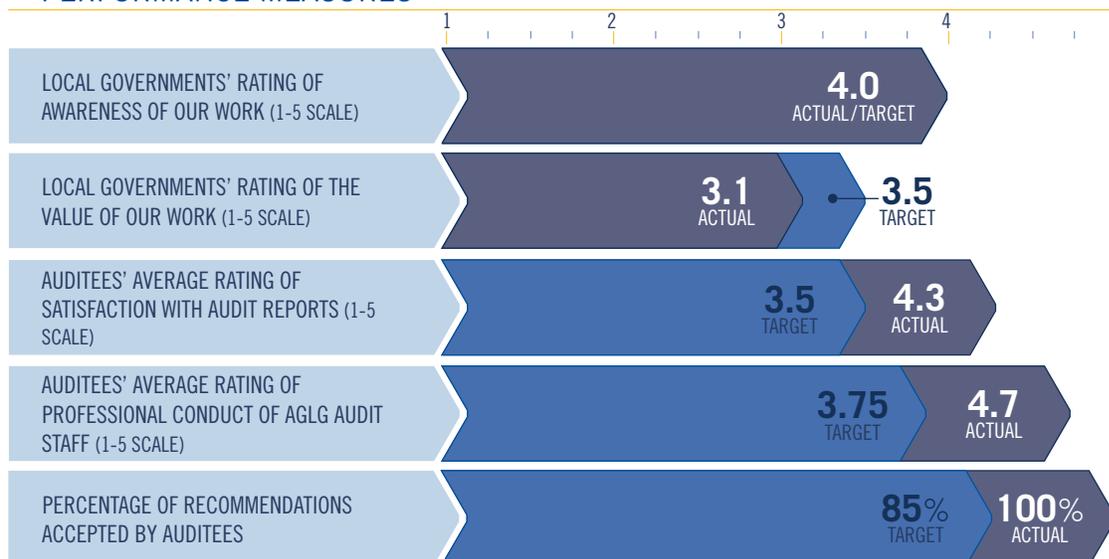
CHAIR **KARLA KOZAKEVICH**, REGIONAL
DISTRICT OF OKANAGAN-
SIMILKAMEEN

GOALS, OBJECTIVES AND PERFORMANCE MEASURES FOR 2017/18

GOAL 1: PROVIDE LOCAL GOVERNMENTS WITH OBJECTIVE, HELPFUL ADVICE

STRATEGIC OBJECTIVE 1: We prepare and release quality audit reports and AGLG Perspectives booklets on a timely basis, consistent with our legislated mandate and service plan.

PERFORMANCE MEASURES



We released three performance audit reports during 2017/18. One was on Emergency Management in Local Governments and two were on Local Government's Role in Ensuring Clean Drinking Water. We also substantively completed an AGLG Perspectives booklet on emergency management.

We received three voluntary post-audit questionnaire responses from our auditees, with an average rating of 4.3 out of 5.0 for satisfaction with the audit report and 4.7 out of 5.0 for professional conduct. These positive responses are similar to last year's results and reflect our continuing efforts in these areas.

The three audit reports we released contained a total of 52 recommendations. All of these were accepted by the local governments and in each case, the local government created an action plan to address our recommendations. For annual reporting purposes, we consider this a 100 per cent acceptance rate; we note, however, that acceptance of recommendations is not the same as full implementation. We may monitor implementation if we undertake follow-up work relating to these audits.

This was the first year that we issued a survey through CivicInfo BC to local government mayors/chairs and CAOs to assess their awareness of our work and its value to them. Awareness of our work is relatively high at 4.0 out of 5.0 and value of our work was rated moderately at 3.1 out of 5.0. We noted that the ratings were generally higher from CAOs than from mayors/chairs.

We also note that the average ratings of our work's value were higher from those we have audited than from local governments that we have not audited. Given the short history of our office and the breadth and diversity of local governments in B.C. we are pleased with these results and hope to continue to improve them in the future. To help achieve this, we will add staff to enable our office to complete more audit work and we will enhance our engagement tools with local governments. Local government feedback also suggested there may be value in either producing briefer reports or providing more summary reporting. We will explore these approaches in the coming year.

STRATEGIC OBJECTIVE 2: Our office completes our work in accordance with audit standards and practices.

PERFORMANCE MEASURES

POSITIVE EXTERNAL INDEPENDENT ASSESSMENT OF OUR AUDIT POLICY AND PRACTICES (CARRIED OUT EVERY THREE YEARS)

TARGET	YES
RESULT	DEFERRED

During the third quarter of this year, we publicly solicited a Request for Proposals to carry out an assessment of our completed engagements, but we were unsuccessful in procuring a contractor for these services. We will need to reconsider the terms for procurement and our approach to having this work completed. As a result, this objective has been deferred to mid-2018.

“In conclusion, we thank the AGLG for what we believe to be a balanced and fair Audit report and we sincerely hope that other municipalities can utilize and benefit from this information to enhance their emergency management program and practices.”

MAYOR **STEVE PRICE**, TOWN OF SIDNEY

GOAL 2: ENGAGE AND CONSULT WITH LOCAL GOVERNMENTS AND OTHER STAKEHOLDERS

STRATEGIC OBJECTIVE 3: We appropriately consult with local governments and other stakeholders in the development of our audit plans and keep stakeholders informed about our work, including any emerging issues.

PERFORMANCE MEASURES



Engagement with those in local government as well as others with an interest in local government remained a priority throughout 2017/18, with numerous engagements or presentation sessions held throughout the year. These included meetings with representatives of local governments, Members of the Legislature, business stakeholder groups and local government-related organizations such as the Government Finance Officers Association of BC.

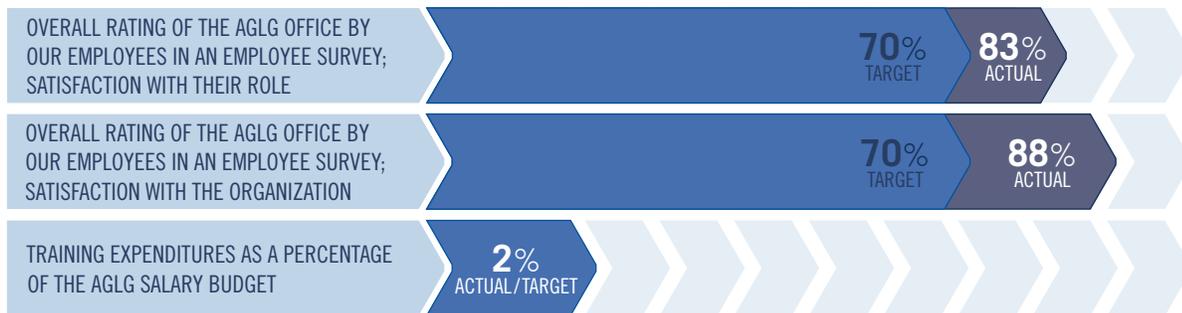
AGLG staff attendance at local government events is important for us not only to share the results of our work, but also to enhance our understanding of local government issues, both current and emerging. AGLG staff attended events sponsored by groups such as the Union of BC Municipalities, Local Government Management Association of

BC, Government Finance Officers Association of BC and the Local Government Leadership Academy as well as the City of Vancouver's annual audit symposium. We also included local government staff in one of our audit training courses as another method of enhancing our engagement and helping to build capacity in local governments.

GOAL 3: STRENGTHEN THE FOUNDATION FOR OUR SUCCESS

STRATEGIC OBJECTIVE 4: AGLG staff are aligned with the office's work and consider the office of the AGLG a desirable place to work where they can apply and further develop their professional skills.

PERFORMANCE MEASURES



DISCUSSION OF RESULTS

This was the second year that we used the BC Public Service Work Environment Survey with again very positive results and an overall slight increase in scores.

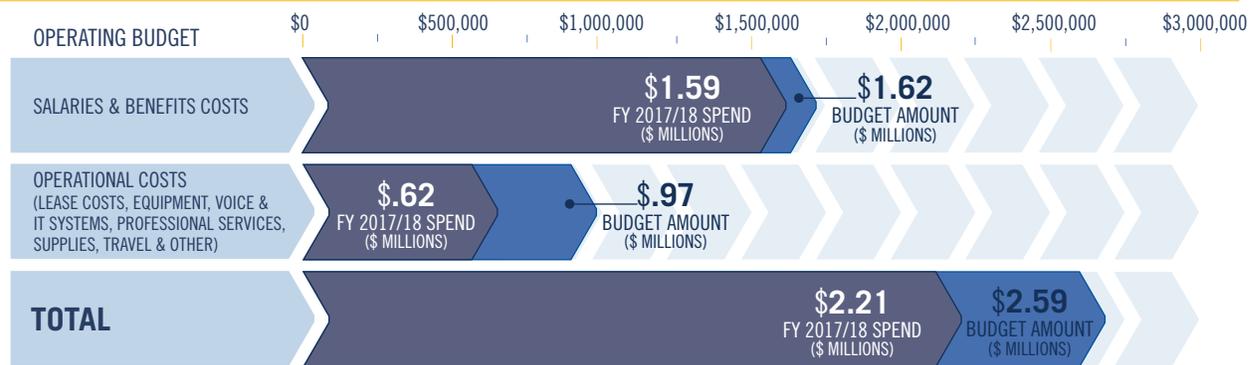
The survey's job satisfaction and organization satisfaction ratings scored 83 and 88 respectively on a 100-point scale, significantly higher than our targets. These results again place us in the 95th percentile of BC Public Service work units. We have now been recognized by the BC Public Service with Top Work Unit Awards for two consecutive years, 2017 and 2018.

Though we were pleased with these survey results, we recognize that there are still areas where we can improve. It will require continued commitment from our team to maintain such positive results over the longer term.

Training remained important for us in 2017/18, especially as a relatively young audit office working in technical areas where we often need to 'build performance auditors' from talented staff members who arrive at our office from quite diverse backgrounds.

We will continue to place emphasis on developing our people to maintain a highly skilled, productive and professional team. The office's overall training costs during 2017/18 were two per cent of our salary budget. We anticipate that this will fluctuate from year to year depending largely on training opportunities that are available and our audit workload. We note that most training offered by the Public Service Agency is not included in this data as the office does not incur direct training costs for this type of training.

FINANCIAL RESULTS 2017/18



THE AGLG DOES NOT HAVE A CAPITAL BUDGET FOR 2017/2018.

DISCUSSION OF FINANCIAL RESULTS

The office had a budget of \$2,594,000 and spent \$2,211,000, resulting in an overall surplus of approximately \$383,000 or 15 per cent of the total budget. The surplus was largely due to lower than expected business & office expenses, contractor expenses and travel expenses.

AGLG CONTACT INFORMATION

STAY CONNECTED WITH THE AGLG



The AGLG welcomes your feedback and comments. Contact us via email info@aglg.ca, our website at www.aglg.ca or follow us on Twitter @BC_AGLG.

You may also contact us by telephone, fax or mail:

PHONE: 604-930-7100

FAX: 604-930-7128

MAIL: 201-10470 152nd STREET SURREY BC V3R 0Y3

