

AGLG

June 5, 2019

Government Organizations
Accounting and Auditing
Forum
Vancouver, BC

A G L G U p d a t e

ACCESSIBILITY ● INDEPENDENCE ● TRANSPARENCY ● PERFORMANCE

PRESENTATION OUTLINE



AUDITOR GENERAL FOR
LOCAL GOVERNMENT

- AGLG *ACT*
- Independent Review of AGLG Office and *ACT* – Critical Findings and Recommendations
- Emergency Management
- Drinking Water Management
- Audit Work in 2019/20
- Questions

AGLG ACT ENABLES THE OFFICE



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Mandate

- Conduct performance audits of local government operations

Potential Auditees

- 161 municipalities, 27 regional districts, and 2 greater boards
- Improvement and irrigation districts not in AGLG mandate nor is Translink

Purpose

- 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

Practices

- Conduct audits according to CPA Canada assurance standards

INDEPENDENT REVIEW: CRITICAL FINDINGS



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➤ Auditees:

71% reported MED-HIGH benefits

76% on track to implement action plan

76% to implement 80-100% of action plan items

➤ Non-auditees:

86% of orgs read AGLG's reports

71% had incorporated practices or changed policy b/c of AGLG reports

53% compare their services to AGLG's reports

➤ Concern Noted:

Level of local government staff effort required during audits.

INDEPENDENT REVIEW: RECOMMENDATIONS TO AGLG AND AUDIT COUNCIL

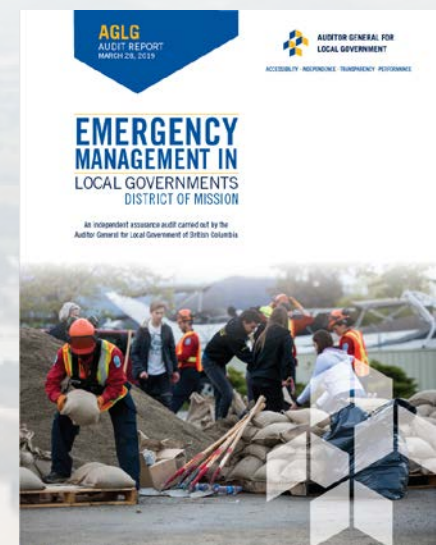
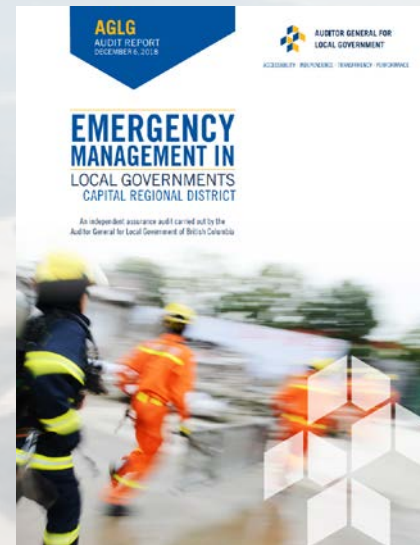
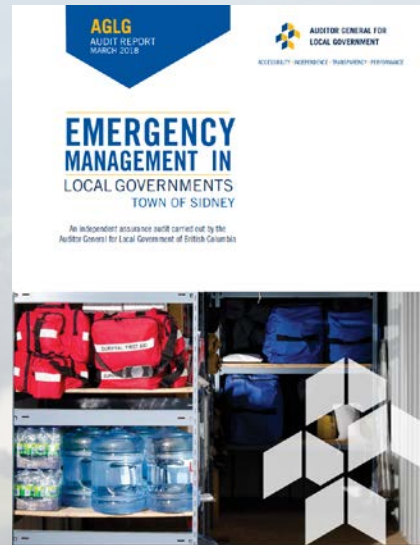


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1. Explore **different approaches to providing performance audits**, particularly for smaller communities, that would not require onerous staff time to support the audit team.
2. That the AGLG consider **re-branding** the org to emphasize its more positive role of assisting local governments in their pursuit of continuous improvement of service delivery.
3. That the AGLG office **broaden its reach to local government professional associations**, such as the BCWWA, LGMA, GFOA BC and LGLA, to **collaborate** on best practices learned in the audits being incorporated into training opportunities provided by these orgs.



EMERGENCY MANAGEMENT PRODUCTS TO DATE...





ROLES AND RESPONSIBILITIES FOR EMERGENCY MANAGEMENT IN BC





BC EMERGENCY MANAGEMENT SYSTEM(BCEMS)



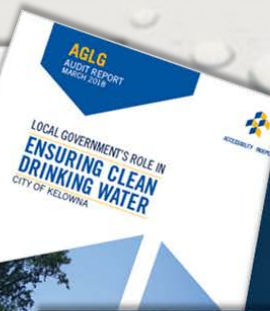


COMMON FINDINGS FROM OUR EMERGENCY MANAGEMENT AUDITS

- ▶ Lack of governance and oversight over emergency management program
- ▶ Plans and actions generally focus on response, rather than mitigation, preparedness, and recovery
- ▶ Lack of volunteer management strategy – emergency support services
- ▶ Lack of awareness on business continuity, including developing plans



REPORTING



OUR REPORTS

Achieving Value for Money in Operational Procurement
City of Revelstoke
Regional District of Fraser-Fort George
District of West Vancouver
Comox Valley Regional District
City of Vernon
Corporation of Delta
Emergency Management in Local Governments
Town of Sidney
Capital Regional District
District of Mission
Learnings from Local Government Capital Procurement Projects and Asset Management Programs
City of Cranbrook
City of Campbell River
District of North Vancouver
City of Dawson Creek
District of Sechelt
City of Rossland (Part 1 of 2)
City of Rossland (Part 2 of 2)
Local Government Performance in Managing Policing Agreements and Police Budget Oversights
City of Williams Lake
City of New Westminster
City of Port Alberni
City of Merritt
City of Surrey
Local Government's Role in Ensuring Clean Drinking Water
City of Kelowna
Regional District of Okanagan-Similkameen
Managing the Inherent Risks of Limited Human Resources within Small Local Governments
District of Tofino
District of Port Edward
City of Fernie
City of Nelson
District of Squamish
Perspective Series Booklets
Integrated Drinking Water Management
Primer of Drinking Water Management in British Columbia
Improving Local Government Emergency Management
Improving Local Government Procurement Processes
Policing Services Performance Assessment
Asset Management for Local Governments
Oversight of Capital Project Planning & Procurement

IN PROGRESS

- Additional Drinking Water Perspectives Series Booklet
- Drinking Water Audit - Township of Langley



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INTEGRATED DRINKING WATER MANAGEMENT

- ▶ **Third in a four-part series on drinking water**
- ▶ **Content developed for administrators and senior management, but also others with an interest in B.C. local government practices**
- ▶ **Q&A format**
- ▶ **Five main sections**



SOME COMMON RISKS TO WATER



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Overuse: Extensive water use can be a contributing factor to depleting water supplies



Ageing infrastructure: Treatment and distribution facilities have limited lifespans and require ongoing funding for operation, maintenance, and replacement

Climate Change: Higher temperatures and extreme, unpredictable, weather conditions affect rainfall, snowmelt, river flows and groundwater



Water Utility Amalgamation: Adopting a system with poor service quality and/or water system deterioration could lead to added costs for the adopting system or utility

IT Security: As more and more utilities connect their water systems to new technology and the internet, cyberattacks or IT failure can have significant impacts



Water contamination: With multiple users, contaminants from runoff or recreational, agricultural and industrial activities could enter waterways

Regulation compliance: With no single agency responsible for all aspects of water, water suppliers have to navigate and ensure compliance with various legislation and drinking water guidelines



Emergencies: Natural or human-made incidents may disrupt water supplies or water quality for extended periods of time



WHAT WE FOUND

- Differing levels of maturity found in our drinking water audits


GOOD PRACTICES IN ASSET MANAGEMENT:

- Tracks and inventories assets
- Develops a robust understanding of the price and life cycle of assets
- Identifies risks and risk management options
- Informs efficient maintenance scheduling
- Determines full lifecycle costs
- Informs accurate water pricing

A FULL COST RECOVERY APPROACH:

- Covers operations, maintenance and administration
- Includes capital costs
- Decommissions assets not in use

DRINKING WATER SYSTEMS



It is estimated that more than \$60 billion* is needed to repair or replace aging drinking water systems in Canada.

*Source: Federation of Canadian Municipalities, *Canadian Infrastructure Report 2016* pg 12

Full cost accounting

Records all the costs incurred to provide drinking water to customers including operations and maintenance, administration, overhead, reserves, costs of compliance with regulations, financial costs (such as depreciation, debt servicing, etc.), capital costs, conservation and environmental management and source water protection costs



Full cost recovery

Generates sufficient revenue to cover all the costs of providing drinking water through user rates, grants and taxes

Full cost pricing

Covers all the costs of providing drinking water through user rates and charges (price does not include grants and taxes)





- Short-term planning that precludes the development of a long-term vision
- Incomplete source water protection, planning and mitigation
- A lack of integration across local government departments
- The use of ad-hoc conservation and demand strategies and tools
- Gaps in asset management and implementation
- A lack of consideration of full cost recovery accounting and barriers to full cost pricing
- An overall lack of business continuity planning

Some excerpts of what we found in Drinking Water Audits

AUDIT PUBLICATIONS COMING IN 2019



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Water: Local Government's Role in Ensuring Clean Drinking Water

- ▶ Township of Langley
- ▶ 4th Perspective Series Booklet

Emergency Preparedness and Business Continuity: Emergency Management in Local Governments

- ▶ Fraser Valley Regional District

Capital Project Management

- ▶ Township of Langley

- ▶ Other Audit Work on Capital Project Management - tba

QUESTIONS?



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CONNECT WITH US



The AGLG welcomes your feedback and comments.

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