

# Annual Report

2015/16

Covering the period April 1, 2015 through March 31, 2016



**AUDITOR GENERAL FOR  
LOCAL GOVERNMENT**



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**Auditor General for Local Government**  
British Columbia



## MESSAGE FROM THE AUDITOR GENERAL FOR LOCAL GOVERNMENT

It is a great pleasure for me to release the annual report of the office of the Auditor General for Local Government for the period April 1, 2015 through March 31, 2016. This was a year during which the office experienced significant change and made major progress forward in carrying out its mandate.

This annual report provides us with an opportunity to reflect on the work the office has completed over the past year, the challenges that remain and our commitment to being accountable to local governments, the Province and taxpayers across British Columbia. The AGLG's 2016/17-2018/19 Annual Service Plan lays out our plans to continue the progress outlined in this report over the next three years.

I became Auditor General for Local Government in the midst of the period covered by this report and want to thank Arn van Iersel for his contributions as Acting Auditor General for Local Government during the first half of this fiscal year.

I am particularly proud of the excellent work carried out by AGLG staff during 2015/16. Their dedication and professionalism helped the office

navigate a challenging period and produce 13 performance audit reports and three AGLG Perspectives booklets during the year. The completion of such a large number of reports was indeed a major accomplishment and it has assisted the office in enhancing the office's credibility as we move forward with new local government performance audit work.

During this time of transition, the office worked to implement recommendations made by Mr. Chris Trumpy in a report he prepared on the office's operations. Three of his recommendations were fully implemented during the fiscal year and the other two were partially completed and will be fully implemented during 2016/2017.

The 2015/16 year also saw the AGLG undertake a new level of consultation with the Union of British Columbia Municipalities (UBCM). I am pleased that we were also able to address the issues raised by the UBCM which resulted from their survey of local governments completed and released during the year. I am optimistic that our constructive relationship with those with an interest in local government, will position this office

well to play a positive role in the future, assisting local governments to ensure they are delivering value for the tax dollars they spend.

Since my appointment, I have had the opportunity to meet with many local governments and others with an interest in our work. By attending local government events, we have the opportunity to hear directly from the people we are here to assist and enhance our awareness and understanding of issues concerning local governments and other stakeholders. I very much appreciate the willingness of those who have met with me to provide input and support our efforts to move the office forward.

A handwritten signature in black ink, appearing to read "Gordon Ruth".

**Gordon Ruth, FCPA, FCGA**  
**Auditor General for Local**  
**Government**

## MESSAGE FROM THE CHAIR OF THE AUDIT COUNCIL

It is the role of the Audit Council to review and monitor the performance of the Auditor General of Local Government (AGLG). Under the Auditor General of Local Government Act, the Audit Council has the responsibility to provide commentary on the activities and performance of the AGLG as detailed in this annual report in respect to the annual service plan.

In 2015/16 the Audit Council welcomed Gordon Ruth to the role of Auditor General of Local Government. As well, 2015/16 saw the addition of new Audit Council members, Ernie Daykin and Dorothy Hartshorne and Manjit Bains in the role of Audit Council Secretariat.

2015/16 was a year of considerable accomplishment made possible by the dedicated effort of a number of talented individuals. Specifically, the Audit Council would like to recognize Arn van Iersel, Chris Trumpy, Rick Heney and Heather Brazier for their valued achievements and insights that have helped set the course for the future.

This annual report is reflective of the substantial activities undertaken by the Office of the AGLG in 2015/16, leading the way toward a transition into a more effective organization. A major component of these activities was a direct result of a focused implementation of the recommendations made in Mr. Trumpy's report.

2015/16 saw an enhanced engagement with those with an interest in local government and other stakeholders, especially in respect to the Union of British Columbia Municipalities (UBCM). The Office of the AGLG was able to respond to a number of issues raised by the UBCM, fostering a stronger relationship with local governments.

The Office of the AGLG was able to achieve a considerable increase in productivity in 2015/16 with the completion of 13 performance audit reports and 3 AGLG Perspective booklets. With this level of productivity along with a focus of building internal capacity and strengthening stakeholder relations, the AGLG is set well on its path to adding value to local government to better serve their communities.

The Audit Council extends its appreciation to the AGLG and staff, the Ministry and all the stakeholders for their support and patience through this transition year.

On behalf of the Audit Council,



**Anthony Ariganello, FCPA, FCGA  
Chair, Audit Council**



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## BRITISH COLUMBIA'S AUDITOR GENERAL FOR LOCAL GOVERNMENT

### 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 2015/16, 190 municipalities, regional districts and greater boards continued to fall under this definition, along with more than 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 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 *Auditor General for Local Government 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 of the AGLG.

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 any other area set out in regulation. It plays a key role in monitoring the effectiveness of the office of the AGLG and supports the office by providing independent guidance and advice. In 2015/16, the Audit Council included seven members with diverse backgrounds.

The Audit Council recommends to the Minister of Community, Sport and Cultural Development 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 the experience, skills and expertise of its membership and considering them to be trusted advisors.

## OUR OVERALL PERFORMANCE

For the office of the Auditor General for Local Government, 2015/16 was a year of transition, of completing work that had been started previously and of positioning the office for success in the future. It was a year of change and a year of considerable success in moving forward after a challenging period.

During the year, we worked to review and implement the recommendations of Mr. Chris Trumpy, who was commissioned by the Audit Council to review the operations of the office. Mr. Trumpy's "*Report on the Governance and Operations of the Auditor General for Local Government*" included five recommendations. Before the year was complete, we had fully implemented three of these recommendations and made progress toward implementing the other two, which will be completed during 2016/17.

Additionally, we received feedback from the Union of British Columbia Municipalities (UBCM) in the form of a survey of its membership regarding the office of the AGLG. We responded with additional constructive actions to address the issues raised by the UBCM in its report.

**“We operate in an environment of continuous improvement, so we welcomed the opportunity to have our procurement practices reviewed to identify areas where we can perform even better.”**

*Jim Martin, Chief Administrative Officer, Regional District of Fraser-Fort George*

The changes we implemented during 2015/16 aimed to help ensure that the office sets realistic targets for its work and follows through on its commitments, adding value for the local governments we work with.

In addition to making changes aimed at positioning the office for future success, AGLG staff also worked hard to complete performance audits that had been started in previous years. During 2015/16, the office issued a total of 16 reports, including 13 performance audit reports and three AGLG Perspectives booklets. This brings the total reports issued overall by March 31, 2016 to 20.

Completing such a large number of reports was possible because a significant amount of the examination work on all 13 audits had been carried out in previous years and because staff were highly focused and dedicated to finalizing them.

While it was important to complete these reports, it was equally important to see the positive responses of the audited local governments, which showed so much patience during the extended audit process. Almost all of the recommendations in our reports were accepted by the local governments, and several had already

**“While we cannot change past experiences we can learn from them and as a group work collectively to improve systems that support our local government’s future decision making.”**

*Dawson Creek City Council*

made some progress in implementing those recommendations. Most importantly, local governments told us that the reports were useful in their efforts to ensure they are delivering value for tax dollars.

We also received a positive response to our AGLG Perspectives booklets, which aim to provide a wide range of local governments with useful tools and advice relating to topics covered in our performance audit work. Several local governments have told us that they are using these booklets to assess and improve their own practices.

We were also gratified to see organizations such as the Local Government Management Association and the Government Finance Officers Association using our AGLG Perspectives booklets as the starting point for building new tools for local governments. This is exactly what we mean when we say we are looking to add value to local governments.

### Implementing Recommendations of the Report on the Governance and Operations of the Auditor General for Local Government

Many of the changes we introduced during 2015/16 were in response to this report. We made progress on all five of Mr. Trumpy's recommendations and fully implemented three of them during the year:

- Appointment of new AGLG – **complete** with hiring of new AGLG October 1, 2015.
- Establishment of an accountability framework – **complete** with signed memorandum of understanding between the Audit Council and the AGLG, plus new expanded quarterly reporting to the Audit Council.
- Review of the office's organizational structure – **complete** with a shift of resources between administrative support and audit. This will continue to be reviewed each year.
- Review of processes and procedures – **partially complete** with completion of the office's Performance Audit Manual for implementation with audits launched in 2016/17.
- Establishment of benchmarks – **partially complete** with the implementation of benchmarks/ performance measures that will be reported on in 2016/17.

## GOALS, OBJECTIVES AND PERFORMANCE MEASURES FOR 2015/16

### Establishing and Maintaining the Office

#### Goal 1 Strengthen the Foundation for Our Success

##### Performance Measure 1.1: Level of Practice

Measure	2015/16 Annual Service Plan Targets	2015/16 Performance Results
Assessment of the office's level of practice	Continuous self-assessment and implementation of adjustments as required	Achieved
	Plan for peer review on a three year cyclical basis, to start in 2017/18	Not Applicable

##### Performance Measure 1.2: Operational, Administrative and Financial Infrastructure

Measure	2015/16 Annual Service Plan Targets	2015/16 Performance Results
Implementation of core operational, administrative and financial policies and procedures	Continue to develop, review and update policies and procedures as required	Achieved
	Receive a clean opinion on AGLG audited financial statements	Not Applicable

## Discussion of Results

During 2015/16, the office continued to develop internal policies and procedures to meet the office's operational, administrative and financial requirements and support the performance audit process. This included introducing a performance review process and teambuilding training, which are essential elements of building a strong team.

We made substantial progress in the development of internal policies and procedures and this will be an ongoing process as the office continues to mature as an organization. We also continued to review our organizational structure to ensure that it had the right mix of support staff compared to audit staff. We made some adjustments as a result of this review, reducing operational support while adding more direct audit staff. We experienced some staff vacancies during the year in key positions, which were filled through extensive recruitment processes. As a result of this work, we ended 2015/16 fully staffed in all positions.

During the year, we also assessed the office's balance between using internal staff resources compared to

contractors and reviewed opportunities to rely on other resources, such as the Ministry of Community, Sport and Cultural Development, for administrative support. As a result of these efforts, we significantly reduced our use of contracted resources.

Throughout 2015/16, we worked with the Audit Council, as prescribed in the *AGLG Act*, on our audit reports, AGLG Perspectives series booklets, annual service plan and the annual report.

We completed a significant amount of work on the development of a 2016/17 Communications and Engagement Strategy for the office. This strategy will help us ensure that our communications activities are supporting the mandate of the office and our vision of being seen as a valued resource for local governments and other stakeholders.

During 2015/16, we also completed our Performance Audit Manual and aim to fully implement it beginning in 2016/17 with the initiation of the new audit work. This will also coincide with our implementation of

new audit management software, which we purchased and configured during the year. This new software tool will provide us with an integrated, time-keeping, project scheduling and electronic file management / working paper solution to address our business needs. Both tools will help the office ensure that we follow professional standards and best practices in the conduct of our performance audit work.

We did not undertake a peer review during 2015/16, as such steps will occur once the office has matured more fully and our audit manual is fully implemented. Our current service plan calls for the office to plan for peer review on a three year cyclical basis, starting in 2017/18.

Amendments to the *Act* that took effect during 2015/16 no longer require the AGLG to produce separate audited financial statements, as this information is consolidated within the statements produced for government.

## Assisting Local Governments

### Goal 2 Provide Local Governments with Objective, Helpful Advice

#### Performance Measure 2: Publishing Performance Audit Reports

Measure	2015/16 Annual Service Plan Targets	2015/16 Performance Results
Reports published	Updated audit plan	Achieved
	Remaining audit reports under updated audit plan	Partially Achieved

#### Discussion of Results

The office of the AGLG made significant progress this year with the release of 13 performance audit reports and three AGLG Perspectives series booklets, for a total of 20 reports published overall by the office since its establishment.

Equally important to completing these audits was the feedback we received from the auditees and others who reviewed our work. Much of this response was from local government auditees that told us our audit work was of value to them. This included both their formal responses to the audits and numerous anecdotal comments from those who reviewed our AGLG Perspectives booklets.

In finalizing these audits, we addressed the challenges that arose as a result of their delay in being completed. In most cases, the examination work for these audits was completed in 2014/15, although the reports were not released until 2015/16. Where appropriate, we addressed this time gap by acknowledging in the audit report relevant work that had been completed by the local government following our field work, but that could not be included in the formal audit because it took place after the period covered by the audit. Following the release of the two remaining pre-2016 audit reports, which will occur in early 2016/17, reporting in the future will be much timelier.

We also revised our audit plan during 2015/16 to be more consistent with our office's capacity. The planned work for audit topic 4 (Local Government's Role in Ensuring Clean Drinking Water) and audit topic 5 (Managing the Inherent Risks of Limited Human Resources within Small Local Governments) will move forward as planned in 2016/17. However, other audit topics that were previously announced will now be included as potential topics for future years as we complete a formal consultation process during 2016/17 to determine future audit topics to align with our new service plan.

During 2015/16, we also reviewed the number of performance audits and AGLG Perspectives booklets we can reasonably expect to complete each year. As a result of this review, we adjusted our targets for 2016/17, as is set out in our 2016/17 Annual Service Plan.

Our longer term approach to reporting on performance audits is to move away from a specific target of completed audits in the year, instead focusing on the number of audits we have committed to starting. We

expect that, as the office matures, we will release several reports each year, some begun in the previous year and others completed within the year they were started. This approach will allow us to start audits at various times of the year, striking a balance between timeliness of completing each audit and ensuring every audit we carry out is thorough, completed to professional standards and adds value.

## Communicating Well

### Goal 3 Provide Accessible Information to Local Governments, Stakeholders and the Public

#### Performance Measure 3.1: Publishing Annual Service Plan and Annual Report

Measure	2015/16 Annual Service Plan Targets	2015/16 Performance Results
Timely publication of service plans and annual reports	Publish updated service plan within 45 days of appointment of acting AGLG (by May 31, 2015)	Achieved
	Publish annual report within 90 days of receiving audited financial statements	Achieved

#### Performance Measure 3.2: Engaging with Local Governments

Measure	2015/16 Annual Service Plan Targets	2015/16 Performance Results
Extent of engagement with local governments, citizens and other stakeholders	Continued meetings with local governments and other stakeholders	Achieved
	Publication of AGLG Perspectives booklets	Achieved

#### Performance Measure 3.3: Correspondence Service Standards

Measure	2015/16 Annual Service Plan Target	2015/16 Performance Result
Correspondence service standards	Respond to 90% of correspondence within 30 days	Achieved

## Discussion of Results

During 2015/16, we continued to engage with local governments, stakeholders and the news media to explain the role and mandate of the office and the performance audit process. This is in addition to our efforts to share the findings and recommendations of our completed performance audits and our AGLG Perspectives booklets.

One of our tools to explain our role and mandate is our annual service plan. We published our 2016/17-2018/19 Annual Service Plan on March 30, 2016. During 2015/16, we also completed the AGLG Performance Audit Guide and related brochure, which aim to inform local governments about our guidelines, principles, processes and standards.

Throughout the year, we heard from local government representatives and other stakeholders at events and meetings and continued to learn about the priorities of local governments. To encourage this, we attended local government events such as the Local Government Leadership Conference amongst others.

Over the course of 2015/16, our office received 126 correspondence items with over a 90 % closure rate within 30 days; the average number of days to close a correspondence file during this period was 15.4 days. Reviewing this correspondence made it clear that many of those corresponding with us were still not fully aware of the mandate of the AGLG. For example, much of this correspondence was in the form of requests that we perform an audit on a specific issue in an individual local government.

While we understand the sincere motivation behind many of these requests, and they may be useful in informing our long term audit planning, we referred many of them back to either the relevant local government or the Office of the Ombudsperson for consideration. We will continue our efforts to enhance public understanding of the mandate of our office in an effort to assist people in directing their issues to the office best suited to dealing with them.

## Staying on Top of Issues that Matter

### Goal 4 Respond Effectively and in a Timely Way to Emerging Issues Affecting Local Governments

#### Performance Measure 4.1: Responding to Emerging Issues

Measure	2015/16 Annual Service Plan Targets	2015/16 Performance Results
Timely reporting on issues that emerge	Audit planning incorporates emerging issues	Achieved
	Adjust audit plan as necessary to accommodate any emerging issues	Achieved
	Provide tools to assist local governments in addressing emerging issues	Not Applicable

### Discussion of Results

During 2015/16, we adjusted our audit plan for 2016/17 to ensure that our highest priority remained completion of the last remaining audits of the initial group launched by the office, along with the related AGLG Perspectives booklets.

We also initiated audit planning for future audits. This included a review of media materials and other information sources to determine whether there were any emerging issues that would justify amending the list of audit topics and local governments the office had previously announced. We also re-evaluated the audit topics (Human Resource Management and Clean Drinking Water) and the local governments the

previous AGLG had identified as the next to be covered by audit work.

The result of this process was confirmation that there were no emerging issues, and that the audit topics previously identified were still valid and would provide value to local governments and other stakeholders. We determined that confirmation of which local governments would be audited under these topics would take place once audit pre-planning occurred in early 2016/17.

## OFFICE OF THE AGLG BUDGET - 2015/16

Operating Budget	Amount (\$ millions)	FY 2015/16 Spend (\$ millions)
Salaries, benefits and administrative costs	\$1.33	\$1.30
Operational costs (lease costs, equipment, voice and IT systems, professional services, supplies, travel and other)	\$1.27	\$0.97
<b>Total</b>	<b>\$2.60</b>	<b>\$2.27</b>

Capital Budget	Amount (\$ millions)
The AGLG does not have a capital budget. Capital budget for 2016/17 will be provided by Shared Services BC as appropriate.	N/A

### Discussion of Financial Results

The office completed the year with an overall surplus of approximately \$330,000 or 13 per cent of the total budget. Salaries and benefits were very close to the internal allocation; the main contributor to the surplus was reduced operating costs as a result of less use of external contractors for performance audit work. Our objective was to use more internal staff to complete this and related work during 2015/16 and we anticipate

that, in future years, additional funds will be allocated to staffing, with an offsetting further reduction in contract costs.

The office purchased audit management software during 2015/16, using capital funding provided by Shared Services BC. The cost of consulting services related to the implementation of this software is covered by the AGLG operating

budget. Amortization of the capital purchase will also be covered by the AGLG operating budget.

### Stay Connected with the AGLG

The AGLG welcomes your feedback and comments. Contact us electronically using our website contact form or email [info@aglg.ca](mailto:info@aglg.ca) to share your questions or comments.

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

Phone: 604-930-7100

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**AUDITOR GENERAL FOR  
LOCAL GOVERNMENT**

ACCESSIBILITY • INDEPENDENCE • TRANSPARENCY • PERFORMANCE