

AGLG

May 18, 2017

Enhanced Accountability and Effectiveness

THROUGH PERFORMANCE AUDITS

Local Government Management Association
Penticton BC

ACCESSIBILITY ● INDEPENDENCE ● TRANSPARENCY ● PERFORMANCE

PRESENTATION OUTLINE



AUDITOR GENERAL FOR
LOCAL GOVERNMENT

➤ MANDATE AND PURPOSE OF AGLG

Vision and Our Commitment

➤ ADDING VALUE

➤ PLANNING AND ENGAGEMENT PROCESS FOR AUDIT TOPICS

Performance versus financial audit

Audit planning process

What to expect from a performance audit

➤ WHAT ARE THE BENEFITS OF PERFORMANCE AUDITS?

➤ QUESTIONS – Over to you

MANDATE AND PURPOSE OF AGLG



AUDITOR GENERAL FOR
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- AGLG Act
- Conduct performance audits of local government operations
- Provide objective information and relevant advice *to assist* local governments...



VISION AND OUR COMMITMENT



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OUR VISION

**TO BE A VALUABLE
RESOURCE FOR LOCAL
GOVERNMENTS AND
OTHER STAKEHOLDERS**

OUR COMMITMENT

**TO WORK
COLLABORATIVELY
WITH LOCAL
GOVERNMENTS**

ADDING VALUE



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- **Positive Feedback from stakeholders on audits**

 - Rating of 3.6 out of five on value in recent CAO survey

- **27 reports completed; 23 audits and 4 Perspectives booklets**

 - Seven audits released in 2016/17

- **Each audit has several recommendations, in 2016/17 all were accepted**

 - 2016/17 auditees:

 - Average rating of 4.75 out of 5 for professional conduct

 - Average rating of 4.5 out of 5 for satisfaction with audit report

- **Positive feedback from stakeholders on Perspectives Series**

 - LGMA and GFOA – “procurement” tools built off Perspectives booklets

MANDATE AND PURPOSE OF AGLG



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- Underlying this is an aim to go beyond audit to make a positive difference
- To do our work we need to communicate our findings to:
 - drive improvements
We have no power to enforce the recommendations. Change is up to you!
 - share lessons from audits
Other local governments learn from audits of others - “cross pollinate”

PERFORMANCE VS FINANCIAL AUDIT



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FINANCIAL AUDIT:

- Focused on accuracy of financial statements (including notes)
- Legislated requirement
- Based on generally accepted accounting principles and standards
- Approach is standardized
- Educational background of auditors = accounting
- Output: opinion and management letter



PERFORMANCE AUDIT:

- Focused on efficiency, effectiveness, economy, compliance
- Authority under AGLG Act
- Unique; criteria developed by auditor, based on research and best practices
- Approach varies for each topic
- Educational background of performance auditors is varied
- Output: report on findings and recommendations

AREAS COVERED



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FINANCIAL
AUDIT →

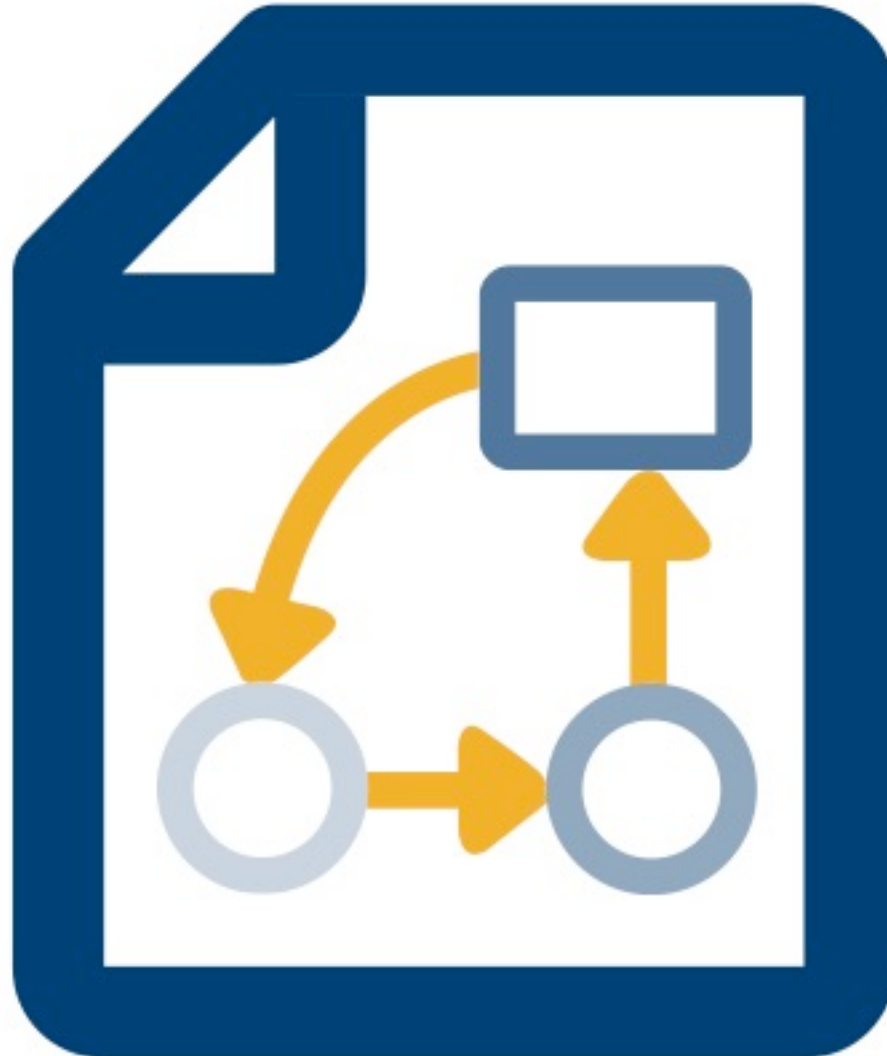


← PERFORMANCE
AUDIT

AUDIT TOPIC PLANNING PROCESS



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OUR PROCESS...



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- ▶ **Begins with Audit Themes** to be included in Annual Service Plan

THEN SELECT A
TOPIC



- ▶ **Comprehensive planning and engagement process** to solicit input from stakeholders on audit topics

PLANNING AND ENGAGEMENT: FALL 2016



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- **INTERNAL SESSION** – identified and rated topics
- **ENVIRONMENTAL SCAN**
- **LOCAL GOVERNMENT INTERVIEWS** – 16 interviews (3 Mayors, 13 CAO's)
- **STAKEHOLDER INTERVIEWS** – 10 interviews (Ombudspersons, Business Groups, 2 MLA's, LGMA)
- **CAO SURVEY** – approx. 30% response rate
- **FULL DAY WORKSHOP** – 18 Local Government reps, one member from Audit Council

POTENTIAL TOPICS 2017/18 FORWARD



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Result of Extensive Consultation/Engagement Process in Fall 2016

- Asset Management and Project Management
- HR Management
- Governance
- Fire Protection Service
- **Water Supply and Distribution**
2 underway, add 1 more auditee and Perspectives Booklet
- **Emergency Preparedness, business continuity, disaster recovery**
Considering now
- Waste and sewage treatment
- Housing development, affordable housing
- Public Consultation and Engagement
- Procurement, contract management

FOLLOW UP ON AUDIT WORK COMPLETED



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- Objective of a follow up audit is to assess the progress made in implementing the recommendations/local government action plan
- Looking to implement a process in 2017/18 for audits completed in previous years

WHAT TO EXPECT FROM A PERFORMANCE AUDIT



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FOUR (4) PHASES OF AN AGLG PERFORMANCE AUDIT



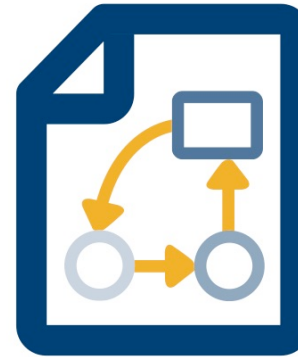
AUDITOR GENERAL FOR
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1



INITIATING THE AUDIT

2



PLANNING

3



EXAMINATION

4



REPORTING

INITIATING THE AUDIT



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- **Contact Mayor/Chair and CAO followed by Notification Letter to Council/Board**
- **Publicly release name of auditees**
- **Set initial meeting with elected representatives and/or senior staff**
- **Address “Confidentiality” requirements**

NOT THIS APPROACH!



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**"We're going to parachute in and do a surprise audit,
but I want to keep the whole thing low key."**

PLANNING (this phase may be extensive – e.g. months)



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GATHER KNOWLEDGE ON SUBJECT MATTER

EXTENSIVE TOPIC REVIEWS:

- Publications, media, results of similar audits in other jurisdictions
- Stakeholders with subject matter expertise and background
- Subject matter experts and or advisors for expertise

ASSESS LOCAL GOVERNMENT

- Council/Board materials, annual reports, budget materials, news media
- Meet with local government staff; request for documentation

DEVELOP AUDIT PLAN

- Finalize the audit objective, scope and lines of enquiry
- Develop audit methodology and audit programs
- Acknowledgement letter to local government

EXAMINATION



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EVIDENCE GATHERING AND ANALYSIS

- Audit team sets interviews with local government staff/elected officials; requests information
- Collaborative approach — try to be flexible and as **un-intrusive** as possible
- Confirm and validate facts; ***no surprises, everyone kept in the loop***
- May spend additional time on analysis after the fieldwork at the local government is complete

EXIT MEETING

- Participate in audit team/local government exit meeting if required; review and validation
- If topic is complex, review and validation may be done through a follow-up process
- May be further follow up or requests for information to support changes — if needed



1



WRITE REPORT

2



REVIEW REPORT

3



PUBLISH REPORT

REPORTING



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PROPOSED FINAL AUDIT REPORT TO LOCAL GOVERNMENT

- Preliminary findings, fact clearance completed
- Local government has 45 days to review and provide feedback on report
- Local government provides comments and action plan to be summarized in report

PROPOSED FINAL AUDIT REPORT TO AUDIT COUNCIL

- Provides comments to AGLG on proposed report

FINAL (PUBLISHED) AUDIT REPORT

- Edits made to Proposed Final Audit Report – if required
- Copy sent to Audit Council along with the local government's comments for additional input - if any
- Final audit report sent to local government **prior** to publication
- Final report and related materials sent to Minister, published on AGLG website



WHAT ARE THE
BENEFITS OF
PERFORMANCE
AUDITS?

BENEFITS OF PERFORMANCE AUDITS



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- We may identify areas of:
 - Strength in a local government
 - Areas where there are opportunities for improvements

- A performance audit can be used by any local government as part of a process to address the :
 - The principle of **ECONOMY**: keeping the cost low.
 - The principle of **EFFICIENCY**: getting the most out of available resources.
 - The principle of **EFFECTIVENESS** : meeting the objectives set.

- We also share learnings with others: both at the Elected and Staff level

MAY IDENTIFY RISKS BEFORE AN ISSUE



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OVER TO YOU....



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- What have you found valuable about our audits and perspective booklets?
- How could they be improved so that you could get more out of them?
- If you've never used them – why?

QUESTIONS?



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CONNECT WITH US



The AGLG welcomes your feedback and comments. Contact us electronically using our website at www.aglg.ca or email info@aglg.ca to share your questions or comments.

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