

AGLG

January 18, 2019

AGLG Update

Capilano U-Local Government Finance
Kelowna

ACCESSIBILITY ● INDEPENDENCE ● TRANSPARENCY ● PERFORMANCE

PRESENTATION OUTLINE



AUDITOR GENERAL FOR
LOCAL GOVERNMENT

➤ MANDATE AND PURPOSE OF AGLG

Vision and Our Commitment
Governance

➤ PERFORMANCE AUDITS

What is a performance audit
What to expect from a performance audit

➤ BENEFITS OF PERFORMANCE AUDITS

➤ ADDING VALUE

Reports completed to date and what we found
Audits Underway – results to date
Potential Audit Topics – 2019 forward

➤ 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 currently not in AGLG mandate

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

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**

GOVERNANCE



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➤ Oversight by Audit Council

Advisors

Provide input and guidance

Currently five members with diverse backgrounds

Completes performance review of AGLG

➤ AGLG Act

Authority

Substantive Autonomy from Government

PERFORMANCE AUDITS



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WHAT IS A PERFORMANCE AUDIT?

- ▶ Performance audits, sometimes called “value-for-money” audits evaluate the operations of local governments in areas such as:
 - Operational and capital procurement
 - Human resources
 - Emergency management
 - Drinking water
- ▶ Focused on Effectiveness, Efficiency and Economy
- ▶ Each audit topic is different; scope, planning and criteria – look at risk
- ▶ Not to be confused with annual financial audits which tend to be more limited in scope
- ▶ May identify a problem before it becomes an issue



WHAT TO EXPECT FROM A PERFORMANCE AUDIT



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FOUR (4) PHASES OF AN AGLG PERFORMANCE AUDIT



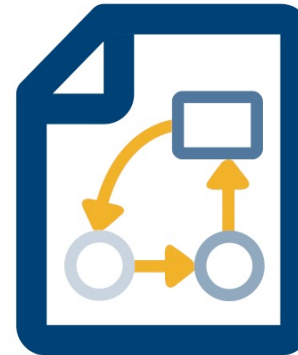
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1



INITIATING THE AUDIT

2



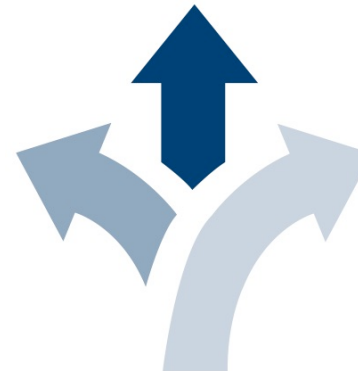
PLANNING

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

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

ADDING VALUE



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- Positive Feedback from stakeholders on audits
- 33 reports completed; 27 audits and 6 Perspectives booklets.
- Each audit has several recommendations, almost all were accepted
- Positive feedback from stakeholders on Perspectives Series

REPORTING



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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

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 Oversight

- 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

- 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 Booklets
- Drinking Water Audit- Township of Langley
- Emergency Management : District of Mission and FVRD in planning phase

THINGS WE FOUND...



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OPERATIONAL PROCUREMENT

- Gaps in policies & procedures.
- Improvements needed in conflict of interest policies.
- Lack of reporting on key performance indicators.
- Efforts to obtain best value were demonstrated in all local governments, but to varying degrees.

POLICING OVERSIGHT

- Reasonable levels of understanding/awareness of the 2012 Municipal Police Unit Agreement or the Police Act in 4 of 5 Local Governments (LG's).
- Opportunities exist to strengthen planning, priority setting & performance measurement in all 5 LG's.
- Cost containment opportunities for all 5 LG's.
- Good communication & positive working relationships between LG's and Police Services.

THINGS WE FOUND...



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CAPITAL PROCUREMENT/ASSET MANAGEMENT

- Opportunities to improve oversight & information for decision-making (3 of 5 LG's) with regard to capital project risks, financing and delegation of authority.
- Business case including capital needs, alternatives and risks for significant projects (3 of 5 LG's).
- Recommendations on developing systematic approach to capital planning asset management, including an organization-wide capital asset management plan and long-term (>5 years) financial planning for capital investments (2 of 5 LG's).
- Opportunities in 3 LG's to develop a plan to ensure the availability of adequately trained staff to direct & undertake asset management activities.

INHERENT HR RISKS WITHIN SMALL LOCAL GOVERNMENTS



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SUMMARY OF RECOMMENDATIONS

HR Planning

- over time, implement longer range planning from 3 to 5 years
- develop more robust analysis related to request for additional staff
- identify mission critical skills and develop succession plans for this roles
- take steps to ensure recruitment and selection process are adequately documented
- ensure job descriptions reflect current requirements and qualifications

INHERENT HR RISKS WITHIN SMALL LOCAL GOVERNMENTS



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SUMMARY OF RECOMMENDATIONS

HR Management

- add more structure to orientation, training and development, and performance appraisal practices
- take steps to ensure occupational health and safety program is in full compliance with all legislative and regulatory requirements
- promote conflict of interest awareness and understanding
- improve documentation practices

HR Administration

- review policies and procedures and address key gaps
- ensure policies and procedures are readily accessible to employees
- identify a few, meaningful HR indicators and use them to enhance HR practices

INHERENT HR RISKS WITHIN SMALL LOCAL GOVERNMENTS



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GENERAL OBSERVATIONS

- Workforce planning typically has an annual horizon and , over time, should extend out
- Workforce planning needs to consider workforce demographics, attrition, turnover and recruitment challenges in order to become more robust
- Centralization of some, not all, HR practices can lead to greater effectiveness (trg, dev, perf appraisal, OSH)

LOCAL GOVERNMENT'S ROLE IN ENSURING CLEAN DRINKING WATER



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► Why this topic?

- The well-being of every British Columbian— and every B.C. community—depends on access to clean drinking water
- For many residents in B.C. our local government provides our drinking water
- 2016 Engagement/Audit Planning process also identified this as an area of risk and an audit topic of value

WATER CONSUMERS TYPICALLY EXPECT THAT
DRINKING WATER:



IS AVAILABLE 24 HOURS PER DAY



IS FREE OF PATHOGENS
AND TOXIC CHEMICALS



IS FREE OF OBJECTIONABLE
TASTES AND ODOURS



IS DELIVERED WITH
ADEQUATE PRESSURE
AT ALL TIMES



IS AVAILABLE IN SUFFICIENT
VOLUME TO MEET
DEMAND AT ALL TIMES

WHAT WE LOOK AT



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AUDIT CRITERIA BASED ON

- Government regulations
- Good practices
- Input from subject matter experts
- Academic research
- International standards

EXAMPLES OF GOOD PRACTICES

- Full cost accounting
- Asset management planning
- Source water protection planning
- Conservation oriented pricing
- Multi-barrier approach
- Continual improvement
- Business continuity planning
- Coordinated emergency planning



LOCAL GOVERNMENT'S ROLE IN ENSURING CLEAN DRINKING WATER



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SOME OF OUR RECOMMENDATIONS

- Develop an asset management system to enable decisions based on asset conditions, full lifecycle costing and risk analysis
- Consider a full cost recovery approach for water services
- Introduce a performance management system
- Implement a formal routine maintenance and inspection program
- Develop a formal strategy for risk identification, mitigation and reporting
- Ensure alignment between water quality sampling program specifications and its water quality sampling frequency

PRIMER ON DRINKING WATER MANAGEMENT IN BRITISH COLUMBIA



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- **Content developed for local government elected officials (e.g. council members, regional district board members)**
- **Q&A format**
- **Three main sections: 1) Improving Water Literacy, 2) Understanding Drinking Water Roles and Responsibilities, 3) Understanding Sustainable Financing**



EMERGENCY MANAGEMENT BOOKLET



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PERSPECTIVE SERIES
APRIL 2018



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ACCESSIBILITY · INDEPENDENCE · TRANSPARENCY · PERFORMANCE

IMPROVING LOCAL GOVERNMENT

EMERGENCY MANAGEMENT

Considerations for Local Government
Council and Board Members



RELATING TO AGLG AUDIT TOPICS:

Local Government's Role in Ensuring Clean Drinking Water
Emergency Management in Local Government

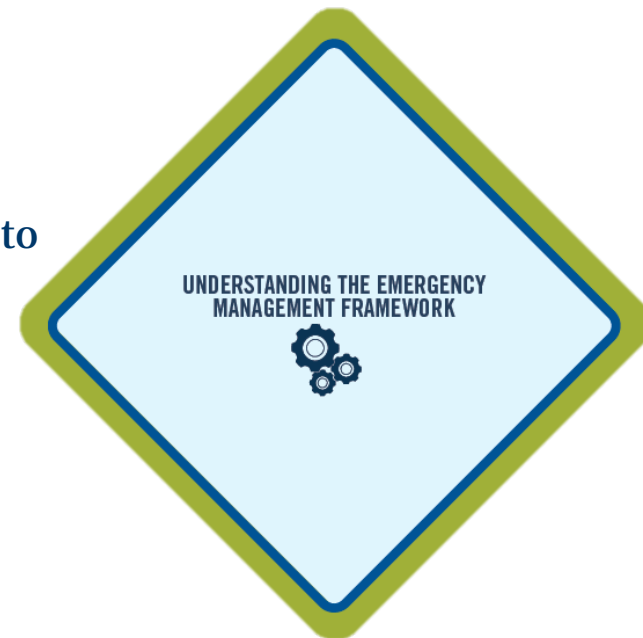
IMPROVING LOCAL GOVERNMENT EMERGENCY MANAGEMENT



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► **Why a Perspectives series booklet on emergency management?**

- Important to understand the importance of emergency management and being prepared
- Emergency management affects critical services (e.g. drinking water) and community resilience
- Necessity for an integrated and embedded approach to emergency management



IMPROVING LOCAL GOVERNMENT EMERGENCY MANAGEMENT



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➤ **During our audit work, we learned that local governments face some of these challenges:**

- Lack a strategic approach to emergency management and organization-wide business continuity planning
- Did not regularly update, test or make their water system emergency response plans available to staff
- Did not have business continuity planning completed for critical services
- Focus on some aspects of emergency management, but with little emphasis on recovery and resilience
- Lack knowledge of procedures or roles and responsibilities of various parties involved
- Do not recognize the impact of emergencies and recovery on other vital systems (e.g. IT) and impact on critical services like drinking water



AUDIT TOPICS 2019 FORWARD



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Potential Future Topics:

- Capital Project Management – *in planning now for 2019*
- Asset Management
- Fire Protection Service
- Liquid Waste and Sewage Treatment
- Housing Development, Affordable Housing and Homelessness
- Public Consultation and Engagement
- Procurement, Contract Management and Shared Services

HOW BEST TO CONNECT WITH YOU?



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FINAL AUDIT REPORT TO LOCAL GOVERNMENT

- On AGLG website: 40+ pages, but value in details and context

PERSPECTIVE SERIES BOOKLETS - LEADING PRACTICES

- On AGLG website: 30-50 pages in each report

OTHER WAYS TO ENGAGE? WHAT WORKS?

SOCIAL MEDIA: YouTube, Twitter, Facebook

PARTNERSHIPS: Webinars and joint presentations (e.g. GFOA, LGMA)

PRESENTATIONS: Local government events or to Councils/Boards

QUESTIONS?



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CONNECT WITH US



The AGLG welcomes your feedback and comments.

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