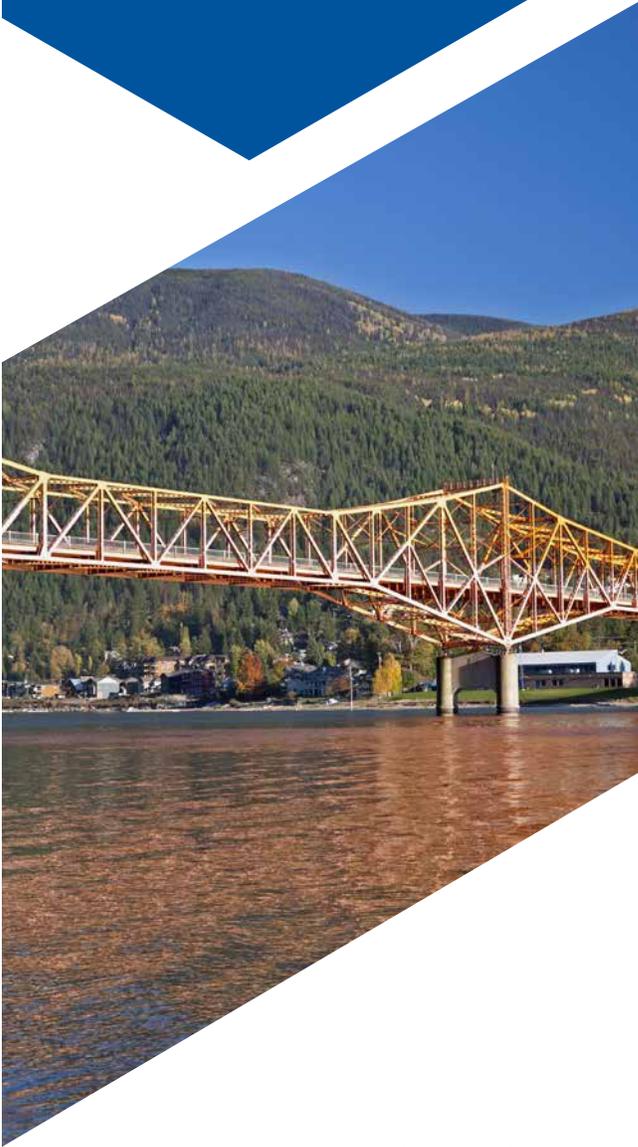


AGLG



ANNUAL SERVICE PLAN

2020/21 - 2021/22

Auditor General for Local Government of British Columbia



**AUDITOR GENERAL FOR
LOCAL GOVERNMENT**

ACCESSIBILITY • INDEPENDENCE • TRANSPARENCY • PERFORMANCE



MESSAGE FROM THE AUDITOR GENERAL FOR LOCAL GOVERNMENT

This report is the 2020/21 Annual Service Plan for the office of the Auditor General for Local Government (AGLG), as required by Section 22 of the *Auditor General for Local Government Act*.

The B.C. government has made the decision to begin the process of closing our office. This service plan sets out our plans for 2020/21 forward and outlines how we will focus on the completion of performance audits and related work underway while working closely with the the Ministry of Municipal Affairs and Housing to begin the work to close our office.

While our audit work is built on and driven by consistent adherence to professional standards, it is the skills and efforts of our people that make it possible for the office to do the work that we do, and I want to acknowledge and thank them for their continued efforts as we move to close our office.

I also want to note that I will end my role as British Columbia's AGLG during this year. It has been a privilege to serve both the public and local governments in this role.

A handwritten signature in black ink that reads "Gordon Ruth". The signature is written in a cursive, flowing style.

Gordon Ruth, FCPA, FCGA
Auditor General for Local Government
Surrey, B.C.

MESSAGE FROM THE CHAIR OF THE AUDIT COUNCIL



The Audit Council is responsible for reviewing and monitoring the performance of the Office of the Auditor General for Local Government (AGLG). The Audit Council carries out this responsibility as stated in Section 19 (1) of the *Auditor General for Local Government Act* by commenting on the extent to which the AGLG's Annual Service Plan supports the AGLG's role in assisting local governments with their accountability to their communities by improving the effectiveness of their operations.

As the B.C. government has made the decision to close the AGLG, the Audit Council recognizes that this year's service plan is for only two years, ending in the 2021/22.

The Audit Council supports the services plan's focus on completing the performance audits currently underway and working with the Ministry of Municipal Affairs and Housing to plan for and implement an orderly cessation of AGLG operations.

The considerable past success of the AGLG, in large part, can be attributed to the high-level of skills, abilities and professionalism demonstrated by AGLG staff. The Audit Council recognizes that the AGLG has developed an excellent team and agrees to the importance of the services plan's revised goal of focusing on supporting the transition of AGLG staff to other opportunities within or external to government.

With the conclusion this year of his appointment as Auditor General for Local Government, the Audit Council would like to thank Gordon Ruth for his exemplary service along with the development of a highly effective and professional team. The positive independent review by government and the recognition of the AGLG's value by local governments are the outcome of Gordon's leadership and vision for the AGLG.

A handwritten signature in black ink, appearing to read 'Anthony Ariganello', written in a cursive style.

Anthony Ariganello, CPA, FCGA
Chair, Audit Council

TABLE OF CONTENTS



MESSAGE FROM THE AUDITOR GENERAL FOR LOCAL GOVERNMENT	2
MESSAGE FROM THE CHAIR OF THE AUDIT COUNCIL	3
INTRODUCTION	5
FUNDAMENTALS OF THE AGLG	6
MANDATE	6
FOUNDATIONAL PRINCIPLES	6
THE AUDIT COUNCIL AND AGLG ACCOUNTABILITY	7
PERFORMANCE AUDITING	8
PERFORMANCE AUDIT THEMES	8
PERFORMANCE AUDIT TOPICS	10
REPORTING	11
GOALS, STRATEGIC OBJECTIVES & PERFORMANCE MEASURES	12
GOAL 1 PROVIDE LOCAL GOVERNMENTS WITH OBJECTIVE, HELPFUL ADVICE	12
GOAL 2 EFFECTIVE WIND DOWN OF THE AGLG OFFICE	13
GOAL 3 SUPPORT A PROFESSIONAL WORK ENVIRONMENT	13
OFFICE OF THE AGLG BUDGET - 2020/2021	14
AGLG CONTACT INFORMATION	15

The office of the Auditor General for Local Government acknowledges that our office is in the territories of the Coast Salish peoples.

INTRODUCTION

The office’s service plans and annual reports combine to play a key role in ensuring our accountability to the Province of B.C., taxpayers and local governments. This document also fulfils one of our requirements under Section 22 of the *Auditor General for Local Government Act (Act)*.

This plan provides an overview of the work we will undertake in 2020/21, during which existing performance audits and Perspectives booklets will be completed. Our work of sharing practices of local governments that we identify through our audit related work remains fundamental throughout.

This year will also see us partnering with the Ministry of Municipal Affairs and Housing to ensure that all matters involved in the closure of the office are conducted in accordance with provincial fiscal, legislative and policy requirements. The details of this work is out of scope of this document, but will be a core component of our work moving forward.

WHAT IS A PERFORMANCE AUDIT?

A performance audit—sometimes called a “value-for-money audit”—is an unbiased examination, carried out following professional auditing standards, to assess whether a service, program or project is being carried out with due regard to economy, efficiency and effectiveness (see the Key Performance Audit Terms below for definitions of these terms).

A performance audit uses specific criteria that are determined in advance to measure how the service being audited is performing. In cases where an audit identifies good practices that could benefit others, our audit report highlights these so other local governments can benefit.

Likewise, when we identify an area where there is room for improvement, we identify this too, in order to help the local government improve the economy, efficiency and effectiveness of the service.

Performance audits are different from the financial audits all B.C. local governments complete each year. Financial audits focus on compliance and ensuring that financial statements are fairly and reliably stated.

KEY PERFORMANCE AUDIT TERMS

ECONOMY refers to the acquisition of the appropriate quality and quantity of financial, human and physical resources at the appropriate times and at the lowest cost.

EFFICIENCY refers to the use of financial, human and physical resources such that output is maximized for any given set of resource inputs, or input is minimized for any given quantity and quality of output provided.

EFFECTIVENESS refers to the achievement of the objectives or other intended effects of programs, operations or activities.

FUNDAMENTALS OF THE AGLG

MANDATE

Our mandate, set out in the *Auditor General for Local Government Act*, is:

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 municipalities, regional districts, greater boards, 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.

Currently, there are 190 municipalities, regional districts and greater boards in B.C. that fall within this definition, and many additional local government-controlled organizations and bodies also fall within the purview of the AGLG.

FOUNDATIONAL PRINCIPLES

In all that we do, we are committed to furthering our four foundational principles, doing so with respect and teamwork:

INDEPENDENCE

Our credibility depends on our independence. In addition to the professional objectivity we bring to the job, the AGLG's independence is furthered by the *Auditor General for Local Government Act* which enables us to carry out our day-to-day functions independently from local governments and with substantive autonomy from the provincial government.

PERFORMANCE

The performance audits and related studies we carry out are intended to confirm and strengthen public confidence in the economy, efficiency and effectiveness of local government operations. We provide helpful and pragmatic recommendations on where improvements can be made and draw attention to good practices when we identify them, so all local governments and taxpayers can benefit from them.

TRANSPARENCY

We are committed to transparency both in our processes and in the outcomes of our performance audits. This includes sharing audit recommendations with each audited local government before our report is released and including a summary of the local government's comments in our final report. We make our reports publicly available on our website, ensuring transparency to all British Columbians.

ACCESSIBILITY

Our commitment to accessibility starts with collecting information in an inclusive manner. We reach out to all local governments, meeting face-to-face with as many of them as possible and making every effort to respond promptly to inquiries. We also involve local governments and other interested groups directly in our audit planning.

Another aspect of being accessible is ensuring that our work is relevant and meaningful to local governments. It is important to us that our performance audits and other work deal with issues local governments and taxpayers care about.

While these principles form the foundation for the work we do, we cannot achieve success working alone. Collaboration with local governments, their staff and their elected representatives is critical; the same is true of working with other stakeholders.

THE AUDIT COUNCIL AND AGLG ACCOUNTABILITY

The Audit Council is provided for under the *Auditor General for Local Government Act* and plays a pivotal role in ensuring the accountability of the office of the AGLG.

The *Act* says that the Lieutenant Governor in Council may appoint at least five individuals to the Audit Council (Council) 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. The Council plays a key role in monitoring the effectiveness of our office and supports us by providing independent guidance and advice.

The Council currently includes five members with diverse backgrounds, two in the business/not-for-profit sectors and three with local government experience either at the elected level or as a chief administrative officer.

The Council provides comments on our draft 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.

The Council also recommends to the Minister of Municipal Affairs and Housing the appointment of the AGLG and monitors and reviews the AGLG's performance annually. The Council assists the AGLG in being accountable to all British Columbians.

We work closely with the Council, taking advantage of the experience, skills and expertise of its members. They are valued advisers in the work we do.



PERFORMANCE AUDITING

PERFORMANCE AUDIT THEMES

Section 22 of the *Auditor General for Local Government Act* requires that our office's annual service plan include themes on which some or all of our performance audits may be based. We consult with the Union of B.C. Municipalities (UBCM) on our audit themes each year.

Our decisions on audit themes are closely tied to our mandate, foundational principles, goals and objectives. The process we follow in selecting audit themes is informed, unbiased, in line with professional practices and reflects input from local governments and other stakeholders.

CRITERIA IN SELECTING AUDIT THEMES

We use three key criteria in developing and reviewing performance audit themes: relevance, significance and risk.

THEME DEVELOPMENT AND REVIEW

During the initial audit planning carried out when the office first started, the AGLG identified six major themes related to local government operations. The complexity and interrelated nature of these broad themes speaks to the breadth of issues facing local governments of various sizes and complexities across the province.

Each year, we review these themes to ensure they consider and reflect any significant changes in the issues B.C.'s local governments face. As part of this review, we consider emerging issues we have encountered in our interactions with local governments, media reports and developments elsewhere.

CONSIDERATIONS

RELEVANCE: Includes the applicability of the theme to local governments of various sizes, geographic areas and population densities. In addition, we take into account the likelihood that we might identify good practices that may benefit other local governments.

SIGNIFICANCE: Includes the size of expenditures, the number of people affected by the program or service, the potential size of economic, social or environmental impacts, the number of stakeholders affected and the extent of their interest and potential impact.

RISK: An assessment of the extent of risk related to the program or service after considering the checks and balances that could reduce the risk, including the program or service's complexity, maturity and pace of change.

2020/21 AUDIT THEMES

On the following pages we list these themes in alphabetical order, not according to priority or any other ranking. We selected topics from within these themes for performance audits during the period covered by this service plan.

And while these themes capture the broad level of services within local governments, we also recognize that there are many elements that may cross several themes. Effective governance, mitigating climate change, reconciliation with First Nations, gender diversity and public engagement are some examples of these. We may include components of these as part of any audit topic we consider.

It is important to note that the *Act* requires that, in carrying out performance audits, we do not call into question the merits of a local government's objectives or policy decisions.

A. ECONOMIC DEVELOPMENT, LAND-USE AND TRANSPORTATION PLANNING AND MANAGEMENT

This theme includes economic development, revenue generation and business initiatives and partnerships. It also includes land-use planning and development, bylaws, transportation planning and management, cultural services and parks and recreation.

Local governments' stewardship of local and regional economic development, together with their commercial and industrial regulatory frameworks can have a big impact on the economic health of communities and their local governments.

The extent to which local government revenue sources are diversified can influence the well-being of a community.

Land-use and transportation planning and management also have major long-term social, economic and environmental effects on local governments. Growth pressures, financial challenges, competing interests, planning and co-ordination issues and links between land-use and transportation planning can affect local governments' achievement of their objectives. Likewise, parks and recreation is a significant area of responsibility for many local governments.

B. EMERGENCY MANAGEMENT AND PROTECTIVE SERVICES

This includes fire services, police services and the various aspects of emergency management. Issues may include financial pressures and other resource constraints and governance and accountability challenges.

We have completed several audits related to both policing and emergency management under this theme to date.

C. ENVIRONMENTAL PROGRAMS AND SERVICES

This includes local government operations related to environmental management such as drinking water management, wastewater and sewer services, solid waste services and environmental management operations. Sound environmental management is of interest to all local governments and the public. How local governments use and manage resources for this is a growing area of challenge that has an impact on public health and safety.

Our drinking water system audits were under this theme.

D. FISCAL SUSTAINABILITY PLANNING, CAPACITY AND INTERNAL OPERATIONS

This includes the management of fiscal sustainability in areas such as budgeting and forecasting, long-term financial planning, reserve planning and management, taxation and expenditure planning, debt level and structure. This theme also involves shared services and the effectiveness of service delivery arrangements and other interactions between municipalities and regional districts.

Additionally, this theme includes organizational capacity, capability and resources, particularly for smaller and more remote local governments where skill sets may not be as readily available.

It also includes other elements of local government finance, accounting and risk management operations that are foundational to the stewardship of public assets and the support of achieving value for money in a wide range of local government operations.

Internal operations include procurement, workforce planning, compensation and benefits planning and management. In addition, internal operations covers information technology and operational technology governance as well as management, information and records management, information security and privacy risk management and aspects of online government such as self-service, information and data sharing.

Our audits on budget oversight of policing, human resources risks in small local governments and operational procurement fell under this theme.

E. INFRASTRUCTURE SUSTAINABILITY AND INFRASTRUCTURE ASSET MANAGEMENT

This includes the management of the full life cycle of major physical assets such as roads, bridges, buildings and utility plants for which local governments are responsible. Infrastructure assets may involve major capital and operational costs and liabilities to most local governments and are critical to achieving local government objectives.

Our audits of capital project procurement and asset management were part of this theme.

F. OTHER (EMERGING ISSUES)

This theme provides us with flexibility during our planning time frame to respond to issues that may emerge in the complex and ever-changing world of local government.

PERFORMANCE AUDIT TOPICS

In our audit planning, we take the identified audit themes and develop specific audit topics through a planning, risk assessment and prioritization process. This includes additional consultation with local governments and local government-related organizations as well as other key stakeholders.

Once we identify audit topics, we select local governments to participate in audits based on several factors:

- ▶ The importance of the audit topic to the local government's operations
- ▶ Ensuring that the range of our audits, over time, includes local governments of varying natures, sizes and locations
- ▶ Potential sources of good practices that may be identified and may be of value to other local governments
- ▶ Other factors, such as the resources available to us

Similar to how we determine audit themes, we review our planned audit topics on a regular basis. Through this process, we may change our planned audit topics as priorities shift and new issues emerge.

OTHER REPORTS

In addition to performance audit reports, we also produce AGLG Perspectives booklets. These reports present information related to the topics on which we have conducted performance audits, with a view to providing tools and advice that may be useful to a wide range of local governments.

KEY STAKEHOLDERS

- ▶ B.C. residents
- ▶ Mayors and councils
- ▶ Regional District chairs and boards
- ▶ Boards, commissions, corporations or other organizations controlled by one or more local government
- ▶ Local government chief administrative officers
- ▶ Union of B.C. Municipalities and similar regional entities
- ▶ Local government area associations
- ▶ B.C. Mayors' Caucus
- ▶ Local Government Management Association of British Columbia
- ▶ Government Finance Officers Association of British Columbia
- ▶ Unions representing employees of local governments
- ▶ Chambers of commerce and other business and professional organizations

REPORTING

An essential aspect of our work is communicating the results of our audits to local governments so that we may assist them in their accountability to taxpayers.

This is a requirement of our *Act*, making us accountable for the expenditure of tax dollars on our audit work. It also allows us to share good practices with all local governments. We produce two different types of reports: individual local government audit reports and AGLG Perspectives booklets.

PERFORMANCE AUDIT REPORTS

We produce a report for each performance audit we complete. This report is specific to the audit, describing the work we did, the scope of the audit, the criteria we used to measure local government performance, our findings, conclusions and recommendations. Each audit report also includes a summary of the local government's response to our audit findings and, in most cases, the local government also provides an action plan to implement the recommendations.

The focus of these reports is on the local government that was the subject of the audit; however, these reports are written to include useful information that may be of interest to a broad range of local governments and other stakeholders.

AGLG PERSPECTIVES SERIES

To further provide useful information, tools and advice to a wide range of local governments, we publish AGLG Perspectives booklets to share overall learnings from a series of audits.

In developing these booklets, we draw on information we gather in the process of conducting our performance audits as well as related information of much broader applicability.

SHARING OUR REPORTS

Once we finalize a report, we publish it to our website, where it is available to anyone interested in its contents.

In addition, we publicly announce the release of our reports through multiple channels such as our website, news releases and social media.

POST-AUDIT

Following the completion of a performance audit, we send an evaluation questionnaire to each local government auditee. The auditee can provide feedback on the conduct of our audit team, the audit report and our process.

GOALS, STRATEGIC OBJECTIVES & PERFORMANCE MEASURES

Our goals have changed in order to reflect the wind down of the office. In summary; we plan to complete the audit and related work underway and undertake a comprehensive process to wind down our office over the next year plus.

During this period we will continue to meet the professional standards required of our office and support a professional work environment for our staff as they transition from their roles.

GOAL 1 PROVIDE LOCAL GOVERNMENTS WITH OBJECTIVE, HELPFUL ADVICE

We provide local governments with objective information and relevant advice to assist them in their accountability to their communities for the stewardship of public assets and the achievement of value for money in their operations.

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.

These publications meet the needs and expectations of local governments in helping them improve their operations.

MEASURES	2020/21 TARGET	2021/22 TARGET (if applicable)
Auditees' average rating of satisfaction with audit reports (1-5 scale)	3.75	3.75
Auditees' average rating of professional conduct of AGLG audit staff (1-5 scale)	4.00	4.00
Percentage of recommendations accepted by auditees	90%	90%

GOAL 2 EFFECTIVE WIND DOWN OF THE AGLG OFFICE

STRATEGIC OBJECTIVE 2

There are no direct measures here, but our commitment is to partner with the Ministry of Municipal Affairs and Housing to ensure the office closure is conducted in accordance with provincial, fiscal, legislative and policy requirements.

MEASURES

2020/21 - 2021/22
TARGET

Partner with Ministry and conduct closure in accordance with all requirements

Ongoing

GOAL 3 SUPPORT A PROFESSIONAL WORK ENVIRONMENT

We recognize that our most valued asset is our staff and are committed to supporting them during the transition of the office.

STRATEGIC OBJECTIVE 3

Some staff will be leaving the office early in the year, while others will remain longer. Our commitment is to provide support to all staff as they look for other opportunities and to maintain a positive work environment for them while here.

MEASURES

2020/21 - 2021/22
TARGET

Placement support and career counselling

Ongoing

OFFICE OF THE AGLG BUDGET - 2020/2021

The following budget provides for the operations of our office, including salaries and administrative costs, subject to appropriations.

Within this budget, we will recruit and retain skilled staff members, contract for additional resources as required, co-ordinate the functioning of core office processes and deliver performance audits and AGLG Perspectives booklets in an efficient and effective manner.

OPERATING BUDGET	AMOUNT (\$ MILLIONS)
Salaries and Benefits	\$1.25
Operational Costs	\$0.56
TOTAL	\$1.81

CAPITAL BUDGET	AMOUNT (\$ MILLIONS)
The AGLG does not have a capital budget.	N/A
Capital budget for 2020/21 will be provided by Shared Services B.C. as appropriate	N/A

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](https://twitter.com/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 B.C. V3R 0Y3

