

**AGLG**  
2019/2020



**AUDITOR GENERAL FOR  
LOCAL GOVERNMENT**  
ANNUAL REPORT

Covering the Period April 1, 2019 through March 31, 2020



**AUDITOR GENERAL FOR  
LOCAL GOVERNMENT**

ACCESSIBILITY • INDEPENDENCE • TRANSPARENCY • PERFORMANCE

## MESSAGE FROM THE AUDITOR GENERAL FOR LOCAL GOVERNMENT



I'm pleased to present the annual report of the office of the Auditor General for Local Government (AGLG) for the period April 1, 2019 through March 31, 2020.

The 2019/20 year was another successful one for our office, though as we neared the end of our year in working with local governments, we were affected by two significant events: the BC government announcing the future closure of our office and the impact of COVID19.

We released three performance audit reports in 2019/20 and made significant progress on three other reports, to be published in the next few months. Feedback we received from our auditees continued to be positive and we shared our learnings broadly with local governments through attending their events, making presentations and writing related articles in newsletters. We remained committed to building constructive relationships with all those having an interest in local government.

We also continued to build a strong team. Our work environment survey scores, already very positive, continued to improve thanks to the efforts of everyone. This solid foundation helped us as we addressed staff concerns in these challenging times.

As we close out the year, I want to thank all AGLG staff for their hard work and dedication. They continued to exhibit a high level of professionalism in all the work they did.

I would also like to thank the Audit Council for its continued advice, guidance and support.

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



In accordance with Section 19 (1) of the Auditor General for Local Government Act, the Audit Council is responsible for reviewing and monitoring the performance of the AGLG. The Audit Council is responsible for commenting to the AGLG on the annual report and acknowledging the activities and performance of the AGLG as presented in this annual report in respect to the annual service plan goals and objectives.

The Audit Council is again very pleased to see that almost all the applicable Goals and Performance Measures for 2019/20 for the AGLG were achieved or surpassed. Given the impending closure of the AGLG, the Audit Council wishes to recognize the importance of these achievements and their invaluable contribution to the AGLG's success in supporting the improvement of the quality and value of services local governments provide to their communities.

The Audit Council would like to thank the AGLG and his team for their extraordinary efforts and professionalism this past year to produce first rate audit reports and perspective series. It is a testament to the high quality of the audit reports that clients accepted 100 percent of the recommendations. Moreover, it is widely acknowledged that a majority of local governments use the audit reports and perspective series as a guide for improving the effectiveness of their processes and operations with resulting immeasurable financial and operational benefits for British Columbia's taxpayers.

The AGLG and his management group have offered gold standard leadership as reflected in the high level of staff performance and the top marks from employee evaluations. They displayed great sensitivity, integrity and character when learning about the Office of the AGLG closure and pandemic driven government slow down, focusing their attention on helping staff cope with the change while developing a plan to achieve best value for money for the Province and local government as the function wound down.

We have asked the AGLG Gordon Ruth and his team for so much over the years and they have always delivered with excellence. Quite simply, they have consistently modeled the principles of performance auditing throughout their operations.

The Audit Council would like to specifically recognize the AGLG Gordon Ruth for his vision and strong leadership which has been so evident during the term of his appointment.

On behalf of the Audit Council,

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

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

# HIGHLIGHTS

## 2019/2020

# OF OUR YEAR



AUDITEES' AVERAGE RATING OF SATISFACTION WITH AUDIT REPORTS



3 REPORTS RELEASED



8 LOCAL GOVERNMENT  
CONFERENCES ATTENDED



15 ENGAGEMENT SESSIONS HELD

AUDITEES' AVERAGE  
RATING OF PROFESSIONAL  
CONDUCT OF AGLG  
AUDIT STAFF

5 OUT OF 5



100%  
OF RECOMMENDATIONS ACCEPTED  
BY AUDITEES



JOB AND  
ORGANIZATION  
SATISFACTION

92 AND 89 OUT OF 100 RESPECTIVELY



88 OUT OF 100

OVERALL EMPLOYEE ENGAGEMENT SCORE

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“Two of the benefits of our audit several years ago was improved council governance around policing and more focus on the related costs. Over the last few years the latter has led to savings of close to \$400,000.”

MILO MACDONALD, CHIEF ADMINISTRATIVE OFFICER, CITY OF WILLIAMS LAKE

## 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 2019/20, 190 municipalities, regional districts and greater boards in British Columbia continued to fall under this definition.

## GOVERNANCE

Although our office is funded by the Province of British Columbia for its core responsibilities, as set out in the *Act*, and adheres to the Province’s core administrative policies and practices where applicable, the AGLG carries out our performance audits and related work with functional independence from government. Several characteristics make this the case:

- 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 governmental approvals
- The office of the AGLG functions with professional independence and adheres to Canadian Auditing Standards
- The Lieutenant Governor in Council appoints the AGLG on the recommendation of the Minister of Municipal Affairs and Housing, after considering the recommendation of the Audit Council
- The Audit Council is responsible for reviewing and monitoring the performance of the AGLG
- The Legislative Assembly allocates our budget through a separate voted appropriation

## ROLE OF THE AUDIT COUNCIL

The Audit Council is provided for under the *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.

The *Act* says that the government may appoint no fewer than five individuals to the Audit 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 Audit Council plays a key role in monitoring the effectiveness of the AGLG and supports the office by providing independent guidance and advice.

In 2019/20, the Audit Council included five members with diverse backgrounds, three of whom had direct experience in local government. Two members' terms completed during the year and two new members were appointed until the end of September 2020.

The Audit Council 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.

The Audit Council also recommends to the Minister 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. We consider them to be trusted advisors.

## OUR OVERALL PERFORMANCE

Our office carries out a role that is unique in Canada. Although similar offices exist in other provinces, they are structured differently, either reporting directly to an individual city council or to a senior level of government. Each of our audit reports is written for whichever of the 190 local governments we selected as our auditee. Each of our audits must be conducted in accordance with the Canadian Standards on Assurance Engagements set by the Chartered Professional Accountants of Canada.

In 2019/20, there were three unexpected and unrelated events that we managed.

Early in the year, the Province asked us to reduce our overall expenditures by approximately ten per cent as part of government's overall expenditure reduction plan.

As we neared the end of our fiscal year, the B.C. government made the decision to begin the process of closing our office. Our efforts then began to focus on completing outstanding audit related work, maintaining a positive work environment and beginning to transition our staff.

Late in the fiscal year, the COVID-19 pandemic forced us to make additional adjustments to manage its impacts. Like many other offices, we asked staff to begin working remotely and we made extra efforts to maintain a safe, healthy and engaged workforce.

These three unexpected events resulted in either the deferral or delay of some of the work we had previously planned to complete by year end.

Through all of these challenges, we still were able to meet or exceed almost all the performance targets that remained relevant for the year. We released three performance audit reports and did substantial work on one other audit and two AGLG Perspectives booklets. A summary of all our reports released during the year is included within this report.

All the recommendations included in the audit reports we released were accepted by the local government auditees, who each produced their own action plan in response; some had already made changes in anticipation of our audit work.

During 2019/20, we integrated elements of engagement with local governments and other interested stakeholders into everything we did. This included:

- » Face-to-face meetings
- » Post-audit survey questionnaires to get feedback from our auditees
- » Trade show booths at local government events
- » Presenting our work at the Capilano University certificate program on Local Government Administration and various other local government presentations, as well as both the BC and Canadian Water and Wastewater Association conferences
- » Providing input into work being developed by the Canadian Audit and Accountability Foundation intended to support and build capacity for local government elected officials regarding performance audit assurance work
- » Completing a series of articles for the Government Finance Officers Association of BC newsletter.

Supporting a professional work environment is fundamental to this office. This year, we continued to build and work with our staff to strengthen the foundation for our success. This became even more important to us once we were advised that the office would be closing.

## SUMMARY OF 2019/20 REPORTS

### Performance audit: Emergency Management - Fraser Valley Regional District (FVRD)

The audit found that, overall, the Fraser Valley Regional District had taken some steps toward developing an emergency management program. However, many of the Regional District's emergency management processes and practices were not developed or only partially developed.

In addition, the Regional District's practices did not appear to fully conform with all of its legislative responsibilities as stated in the *Local Government Act* and the *Emergency Program Act*.

Our review indicated that the Regional District should take steps to significantly strengthen its emergency management and business continuity practices to be better prepared for potential emergencies.

### Performance audit: Ensuring Clean Drinking Water - Township of Langley (Part 1)

The Township met most of our expectations included in the audit objectives we reported on. It had made considerable effort toward ensuring the sustainability of its drinking water.

There were, however, a few areas where the Township should consider improvements to help ensure the success of its drinking water planning and management into the future.

### Performance audit: Ensuring Clean Drinking Water - Township of Langley (Part 2)

In the second part of this audit, we examined a range of different factors related to the Township's capital asset management activities and the construction, implementation and maintenance of its drinking water supply infrastructure.

We examined the East Langley Water Supply project, a major capital infrastructure project for the Township. The project was completed significantly later than initially projected and we identified a number of areas for improvement in the Township's approach to capital project management. These changes will help ensure the success of its water supply and other infrastructure projects in the future.

### Our 2020/21 - 2021/22 Annual Service Plan

This plan sets the direction for the office for the next two years. It includes our overall audit themes as well as the goals, objectives and performance measures as we move toward completing our current audit-related work and winding down the office. Note that this plan had to be amended to include only a two-year period to reflect the wind-down of the office. As a result, it was published later than originally planned.

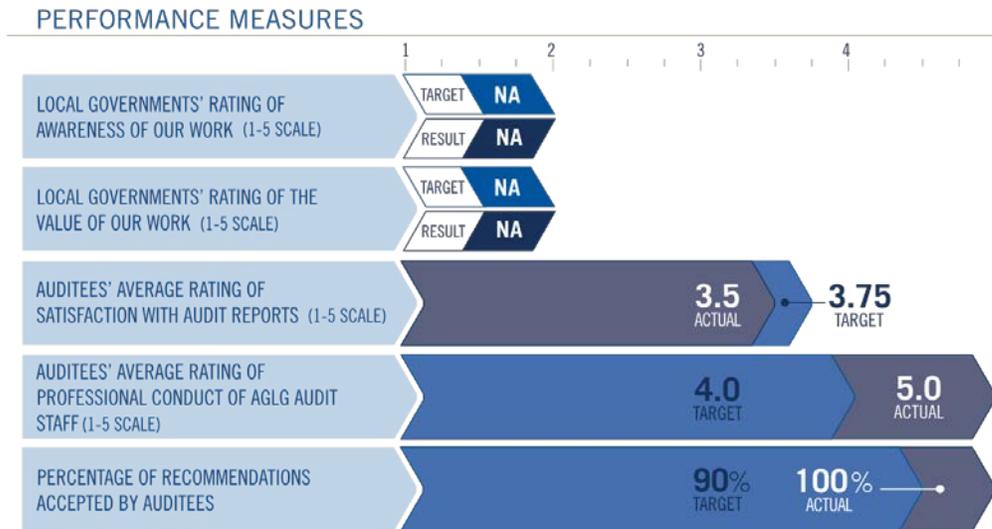
### Our 2018/19 Annual Report

This is our key accountability document, linking our performance to our objectives and providing an overview of the work completed from April 1, 2018 to March 31, 2019.

# GOALS, OBJECTIVES AND PERFORMANCE MEASURES FOR 2019/20

## GOAL 1: PROVIDE LOCAL GOVERNMENTS WITH OBJECTIVE, HELPFUL ADVICE

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.



During 2019/20, we released three performance audit reports. One was on Emergency Management and two were on Drinking Water (one auditee with two reports). Work also continued related to a Capital Project Management audit as well as two AGLG Perspectives Series booklets (Sustainable Financing in Drinking Water Management and Capital Project Management).

We received voluntary post-audit questionnaire responses from our auditees, with an average rating of 3.5 out of 5.0 for satisfaction with the audit report and 5.0 out of 5.0 for professional conduct of our staff.

All of our recommendations were accepted by the local governments and in each case, the local government created its own action plan to address our recommendations. For annual reporting purposes, we consider this a 100 per cent acceptance rate; we note, however, that acceptance is not the same as full implementation.

Given the decision by the Province to close the office, we did not move forward with our annual survey to all local government mayors/chairs and chief administrative officers to assess their awareness of our work and its value. Previous awareness and value scores had been quite positive, but this was no longer applicable as we began to take steps to wind down.

STRATEGIC OBJECTIVE 2: **Our office completes our work in accordance with audit standards and practices and is a licensed practice firm regulated under the Chartered Professional Accountants of British Columbia.**

Our audit manual includes an external review of our audit work every three years as an internal requirement.

## PERFORMANCE MEASURES

POSITIVE EXTERNAL INDEPENDENT ASSESSMENT OF OUR AUDIT POLICY AND PRACTICES (CARRIED OUT EVERY THREE YEARS)	TARGET	N/A
	RESULT	N/A

The external assessment was to be completed next year in 2020/21. With the pending closure of the office, it has now been cancelled.

“We thank you for including the FVRD in this series of Performance Audits as we continue to improve our emergency management program. The FVRD has already taken steps to address the recommendations to ensure we are well prepared to respond to emergencies now and in the future.”

**JASON LUM**, BOARD CHAIR, FRASER VALLEY REGIONAL DISTRICT

**GOAL 2: ENGAGE AND CONSULT WITH LOCAL GOVERNMENTS AND OTHER STAKEHOLDERS**

STRATEGIC OBJECTIVE 3: We appropriately consult with local governments and other stakeholders in the development of our audit plans and keep stakeholders informed about our work, including any emerging issues.



Engagement with those in local government as well as others with an interest in local government remained important to us, with numerous engagements or presentations held throughout the year. These included meetings with representatives of local governments, Members of the Legislative Assembly, business stakeholder groups and local government-related organizations.

AGLG staff attendance at local government events is important for us not only to share the results of our work, but also to raise awareness of our office and help to enhance our understanding of local government issues, both current and emerging.

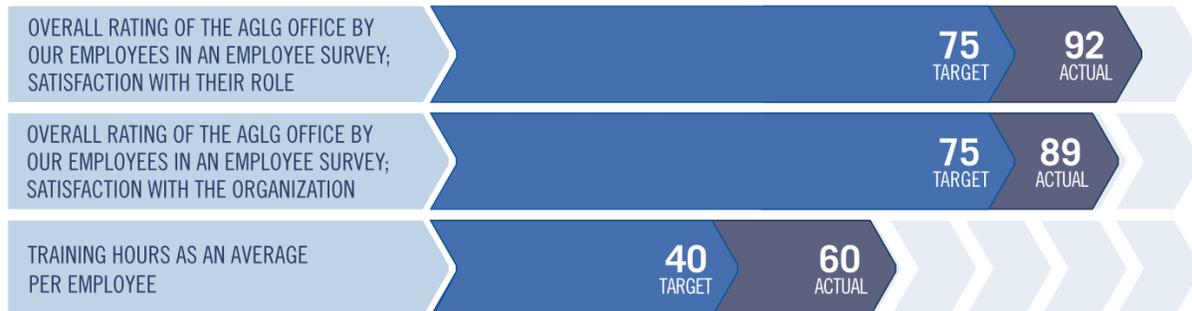
AGLG staff attended events sponsored by groups such as the Local Government Management Association of British Columbia and the Union of British Columbia Municipalities, amongst others.

In 2019/20, we had planned to complete a formal planning session(s) with local governments. This had to be deferred to 2020/21 in order to accommodate provincial budget reductions. Given the since-announced wind down of the office, it will no longer be needed.

## GOAL 3: SUPPORT A PROFESSIONAL WORK ENVIRONMENT

STRATEGIC OBJECTIVE 4: AGLG staff is committed to the office's work and consider the office of the AGLG a desirable place to work where they can apply and further develop their professional skills.

### PERFORMANCE MEASURES



We were very pleased with Work Environment Survey results in previous years and this year's results were even higher, well above our targets. For example, our overall engagement score was 88 compared to an average across the BC Public Service of 68. As a result, we received another of the government's Top Work Unit awards (our third).

We continued to take steps as a team to improve and maintain a continued commitment over the year. The results speak for themselves. With the future closure of the office, our focus shifted to supporting our people and seeking their redeployment either within the Public Service or to opportunities externally.

Training remained important for us in 2019/20. We often need to 'build performance auditors' from talented staff members who arrive at our office with quite diverse backgrounds. Training levels can vary considerably each year, dependent on need, staff availability and timing of training opportunities.

AGLG staff completed an average of 60 hours of training and development opportunities per employee, which indicates that staff development continued to be well supported by the office.

## FINANCIAL RESULTS 2019/20



THE AGLG DID NOT HAVE A CAPITAL BUDGET FOR 2019/20.

The office of the AGLG had a budget of \$2,608,000 and spent \$2,279,000, resulting in an overall surplus of approximately \$329,000 or almost 13 per cent of the total budget. This exceeded the amount of the reduction in expenditures requested early in the year by government. The savings were in part due to our slowdown of planned work in the fourth quarter, which resulted in lower travel expenses, business and office expenses and expenditures on contractors.

## AGLG CONTACT INFORMATION

STAY CONNECTED WITH THE AGLG



The AGLG welcomes your feedback and comments. Contact us via email [info@aglg.ca](mailto:info@aglg.ca), our website at [www.aglg.ca](http://www.aglg.ca) or follow us on Twitter [@BC\\_AGLG](https://twitter.com/BC_AGLG).

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