

AGLG

February 3, 2017

**CONNECTING WITH
LOCAL GOVERNMENT**

THROUGH PERFORMANCE AUDITS
LOCAL GOVERNMENT LEADERSHIP ACADEMY
RICHMOND BC

ACCESSIBILITY • INDEPENDENCE • TRANSPARENCY • PERFORMANCE

PRESENTATION OUTLINE



➤ **MANDATE AND PURPOSE OF AGLG**

Vision and Our Commitment

➤ **ADDING VALUE**

Reports completed to date and what we found

➤ **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?**

➤ **HOW BEST TO CONNECT WITH YOU?**

MANDATE AND PURPOSE OF AGLG



- ▶ Conduct Performance audits of local government operations
- ▶ Provide objective information and relevant advice *to assist* local governments...



VISION AND OUR COMMITMENT



OUR VISION

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

OUR COMMITMENT

**TO WORK
COLLABORATIVELY
WITH LOCAL
GOVERNMENTS**

ADDING VALUE



- ▶ **Positive Feedback from stakeholders on audits**
Rating of 3.6 out of five on value in recent CAO survey
- ▶ **26 reports completed; 22 audits and 4 Perspectives booklets**
- ▶ **Each audit has several recommendations, almost all were accepted**
Positive response from almost all auditees
Local governments provided Actions Plans
Several 'informal' local government requests for an audit
- ▶ **Positive feedback from stakeholders on Perspectives Series**
Internal audit shared with Council and Staff
Municipal Auditor – shared with clients (government, *et al*)
LGMA and GFOA – "procurement" tools built off Perspectives booklets

THINGS WE FOUND...



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...



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.

THINGS WE FOUND...



INHERENT HR RISKS WITHIN SMALL LOCAL GOVERNMENTS (UNDERWAY)

- ▶ Need for long term integrated workforce plan, including recruitment & retention, succession planning & review of business processes and workflow.
- ▶ Opportunities to enhance recording, monitoring, analyzing & reporting on human resource data.
- ▶ Several 'Foundational' HR improvements to strengthen the oversight and delivery of critical HR services such as recruitment and retention, training and development, performance management and health and safety.
- ▶ Gaps in provision of core HR services such as HR administration, policies & procedures, information and data.
- ▶ Some Local Governments should consider or are using 'shared' services and other collaborative partnerships to address work flow needs and service level.
- ▶ Many areas where needs being met.

PERFORMANCE VS FINANCIAL AUDIT



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

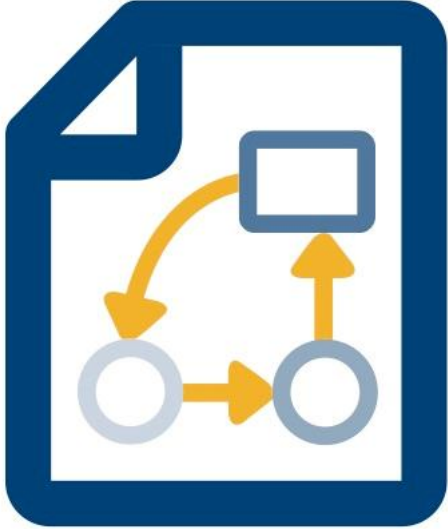
AREAS COVERED

FINANCIAL
AUDIT →



←
PERFORMANCE
AUDIT

AUDIT TOPIC PLANNING PROCESS



OUR PROCESS...

- ▶ **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



- **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

OVERALL RANKING – *MORE ANALYSIS TO FOLLOW TO REDUCE LIST TO 10 OR SO*



1. Asset Management and Project Management
2. HR Management and compensation
3. Governance
4. Fire Protection Service
5. Water Supply and Distribution
6. Service delivery efficiency, alternate service delivery
7. Emergency Preparedness, business continuity, disaster recovery
8. Budgeting, forecasting and financial management
9. Waste and sewage treatment
10. Policing and law enforcement
11. Housing development , affordable housing and homelessness
12. Public Consultation and Engagement
13. Procurement, contract management and shared services
14. Information security, privacy and information sharing
15. By-law regulation and enforcement

WHAT TO EXPECT FROM A PERFORMANCE AUDIT



FOUR (4) PHASES OF AN AGLG PERFORMANCE AUDIT

1

INITIATING THE AUDIT

2

PLANNING

3

EXAMINATION

4

REPORTING

INITIATING THE AUDIT



- 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!



"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)



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



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

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

- ▶ 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



HOW BEST TO CONNECT WITH YOU?

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?



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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