

AUDITOR GENERAL FOR LOCAL GOVERNMENT AS A RESOURCE TO SUPPORT ECONOMIC RECOVERY

BC's businesses continue to face financial challenges as a result of the COVID-19 pandemic. Local governments are feeling the same financial stressors, due to facility closures and the halting of other revenue streams. Raising municipal revenues through property taxes would only serve to increase costs to businesses. As a result, the pressure on local governments to do the best they can with the resources that they have has never been greater.

One response to the financial challenges caused by the COVID-19 pandemic by the federal government was the recent announcement of the Canada Infrastructure Bank, which includes a \$10 billion Growth Plan that provincial, territorial, municipal, and Indigenous partners can use to build infrastructure across Canada. As such, we expect to see significant volumes of money coming to local governments over the next three years for infrastructure projects through this program. However, many local governments do not have the expertise or human resources to manage projects of this magnitude or the budget to hire external consultants with the skills to manage them on their behalf.

The Chamber believes that the creation of a new Auditor General for Local Government (the "AGLG"), that draws on the lessons learned and expertise developed by the former AGLG's office, will go a long way to provide resources, expertise and oversight to local governments on the path to economic recovery.

The office of the Auditor General for Local Government was established with the adoption of the *Auditor General for Local Government Act*, which came into force in April of 2012. The AGLG's mandate was 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."

Opinions were divided over the creation of the office and the first few years of its operation were not particularly successful, with only four reports being released in the first two years of operation. However, following a replacement of the AGLG and an independent review of the office conducted by Mr. Chris Trumpy, the AGLG was able to successfully turn around its operations. To date, there have been 32 performance audits completed in 30 different locations covering topics such as improving local government procurement, managing policing services, improving local government emergency management and, notably, oversight of capital project planning and procurement.

Three surveys of local governments that were taken as part of a five-year review of the office in 2017 found that:

1. Of the local governments that responded to the survey and had a performance audit completed in their organization:
 - a. 71% felt they benefited a medium to high degree from the audits;
 - b. 76% felt they were on track with implementing the recommendations from the performance audit reports; and
 - c. 76% felt they would implement 80% to 100% of the recommendations.
2. Of the local governments that responded to the survey that had not been audited:

- a. 86% indicated that someone in their organization had read a performance audit report or Perspectives booklet;
- b. 71% of those who indicated that someone in their organization had read a performance audit report or Perspectives booklet had incorporated practices or made changes to policy found in these documents; and
- c. 53% of the local governments responding to the survey indicated that they use the performance audit reports and/or Perspectives booklets to do a comparative check on similar services that they provide.

Following the five-year review, it was recommended that the AGLG office be retained, given the reported benefits to local governments from the audit findings and recommendations. The five-year review did note that the cost per audit was high and the amount of staff time required to support the audit process was onerous. Some smaller communities found that the recommendations were not scalable to the resources and size of their communities. A number of recommendations were made to address these issues that included ongoing reviews every five years, a strengthening of the communication and relationship between the AGLG and the Union of British Columbia Municipalities and other relevant stakeholders, and an exploration of different approaches to performance audits that would not be as costly or onerous for smaller communities.

In February of 2020, Municipal Affairs Minister, Selina Robinson, announced funding cuts of 31% with plans to close the office of the AGLG within a couple of years.

With the impending influx of funding for capital projects expected to reach the municipal level, and the magnified importance and scrutiny on local governments to spend wisely due to COVID-related financial constraints, it is important that local governments continue to have access to the resources, expertise, and accountability to taxpayers provided by an Auditor General for Local Government in the years to come. The new Auditor General for Local Government should incorporate the valuable lessons learned from the prior office in order to ensure that the new AGLG's office provides good value for cost, works harmoniously with the Union of British Columbia Municipalities and other stakeholders and is relevant to local governments of all sizes.

THE CHAMBER RECOMMENDS:

That the Provincial Government:

1. Appoint an Auditor General for Local Government and establish an office under the AGLG which implements the recommendations from the Auditor General for Local Government Act and Office Review conducted by Kelly Daniels and published in November of 2018, including strengthening of the communications and relationship between the AGLG and other stakeholders such as the Union of British Columbia Municipalities.
2. Ensure that the performance audits conducted by the AGLG's office are structured to acknowledge and accommodate the capacity of the subject local government.