



## **Presentation to the Standing Committee on Community Services October 27, 2009**

Thank you, Mr. Chair, for the opportunity to present to you today. The Calgary Chamber of Commerce represents 3,200 members of the business community, and would like to express its support for Bill 202, *the Municipal Government (Municipal Auditor General) Amendment Act*.

In a 2009 issue priority survey, Chamber members identified fiscal management spending and priority setting of City Council as their top municipal priority.

Prudent fiscal management, and transparent and accountable governance are integral to a well-functioning, legitimate and responsive local government system.

The Chamber recognizes that the *Municipal Government Act* provides Alberta municipalities with among the greatest autonomy and authority of all local governments in Canada; however, Alberta municipalities are held to expenditure and accountability standards far less stringent than senior levels of government and local governments in other jurisdictions.

Strengthening the municipal audit function provides assurances to businesses and prospective investors that tax dollars are being spent in compliance with local decisions, stated priorities, best practices, and with due regard to economy and efficiency.

Consequently, the Chamber recommends the following five changes to the audit function to support Alberta municipalities:

### **1. Comprehensive Auditing**

Under the *Alberta Municipal Government Act*, municipalities are only required to conduct attest audits, in which they submit annual financial statements along with an Auditor's Report that provides an opinion on whether the statements are fairly presented and comply with appropriate accounting principles.

These are only one component of what is known as 'comprehensive auditing', which also includes compliance and value for money audits.

Compliance audits report matters of misuse or mismanagement of public funds, or expenditures not authorized by government. Value for money audits report cases where "public funds have not been spent with due regard to economy and efficiency and where there are no satisfactory procedures in place to enable those who administer programs to measure and report on the effectiveness of these activities."<sup>1</sup>

Similar to senior levels of government in Canada, all local governments should be mandated to undertake comprehensive auditing practices.

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<sup>1</sup> A Guide Book for the Heads of Agencies: Operations, Structures and Responsibilities in the Federal Government. 1999. Annex E. [http://www.pco-bcp.gc.ca/index.asp?doc=guide2/annex-e\\_e.htm&lang=eng&page=information&sub=publications](http://www.pco-bcp.gc.ca/index.asp?doc=guide2/annex-e_e.htm&lang=eng&page=information&sub=publications)



## **2. Budget**

From a budget perspective, it is imperative that the auditing budget be independent of decisions of municipal councils, to avoid discreetly diminishing the authority of the Auditor through funding reductions. Ideally, the audit function should be proportionate to the size of total municipal expenditures, to match the magnitude of the expenditures and operations.

## **3. Audit Plan**

In terms of setting the audit plan, while municipal councils need to be informed of the activities of the Auditor, the audit plan should not be subject to the approval of Council. Rather, the Auditor must have autonomy to establish the audit plan and report findings to Council, the public and the province for informational rather than approval purposes.

## **4. Appointment Conditions**

The independence of a Municipal Auditor can be hindered by the process through which the person holding office can be removed. It is imperative that the appointment conditions of the position be sufficiently independent of Council decisions.

## **5. Provincial Mandate**

One guarantee of independence and oversight for a Municipal Auditor would come in the form of a provincial Office of Municipal Auditor that is mandated to provide the comprehensive audit services and features discussed.

Many Alberta municipalities lack the institutional and fiscal resources to directly undertake such comprehensive and independent auditing practices, and the creation of a provincial office could provide the necessary capacity and expertise to fulfill this objective.

For larger municipalities with an established City Auditor's Office, the Municipal Auditor General could delegate its functions and responsibilities to these entities to avoid unnecessary duplication and inefficiencies.

## **Conclusion**

In conclusion, a provincial Office of Municipal Auditor General would add both external legitimacy and credibility to the municipal audit function, and enable comparisons across municipalities to identify inefficient, duplicative and under-resourced programs; facilitate the sharing of best practices; and assist municipalities in delivering higher value to citizens.

Thank you, Mr. Chair, for your attention on this important matter and I would be pleased to respond to any questions or comments that you may have.