

Bill 202: Municipal Government (Municipal Auditor General) Amendment Act, 2009

Presentation to Standing Committee on Community Services

Edmonton, AB

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Good morning.

I'm pleased to be here today to discuss Bill 202.

Let me start by saying thank you to the honourable member for Calgary-Hays for bringing this bill forward.

It raises an important discussion on accountability and transparency for local governments.

I have taken a look at the bill and I appreciate its intent.

However, when it comes to how a new office of municipal auditor might work in practice, I do have some concerns.

To help you in your task of making recommendations to the Assembly on this Bill...

I would like to highlight some of the initiatives my ministry is undertaking to promote municipal accountability.

I will also suggest some potential actions we could undertake to achieve many of the aims of Bill 202, within existing resources, and without creating a new government body.

It's my job to listen to and support Alberta's municipalities.

I take this very seriously.

I recently completed a consultation tour of our municipalities.

I heard from many municipalities that they have concerns with Bill 202, just as you have heard in some of the submissions and presentations to this committee.

I have also heard them say that the bill's principles of accountability and transparency are ones they share.

Albertans expect all levels of government – federal, provincial, and municipal – to be responsible with their tax dollars.

Ensuring we have accountable local governments is a priority, for both me, and this government.

It is also a priority for our elected municipal leaders.

We all agree that we must respect our tax dollars, and use them to invest in and foster strong communities.

And, we recognize that Albertans want to know how their tax dollars are spent. Since this bill was introduced, our province, and our municipalities, have experienced a dramatic economic downturn.

While this has led to many changes, one thing that has not changed is our commitment to accountability.

At the same time, we must carefully consider how to promote accountability in the most effective way – without duplicating our efforts.

From what I see, the creation of a municipal auditor could potentially duplicate some functions already in place in my department.

My department provides support to municipalities on an ongoing basis.

We currently have the flexibility to provide advice and support when it is needed – and to undertake more formal examinations of municipal operations when it is warranted.

We provide informal advisory services on a regular basis.

This allows us to address emerging questions proactively, before they become problems.

On a more formal basis, the *Municipal Government Act* sets standards for financial reporting and compliance – and gives the ministry the tools to ensure they are adhered to.

Municipalities must complete annual financial statements, audited by independent, professional accountants.

A signed copy of these statements, along with an annual financial return, must be submitted to me.

The *Municipal Government Act* also gives me the authority to act or intervene in certain circumstances.

I can, for example, order a Municipal Corporate Review.

This involves a review of municipal operations and practices.

It is intended to support the municipality by providing constructive advice.

In cases where concerns are more substantial, I can order a municipal inspection.

An inspection is a more detailed, formal review of municipal management, including both council and administration.

It also involves a more in-depth examination of municipal financial records and practices.

Following the inspection, I have the authority to issue binding directives for the local council to implement.

I can also appoint an official administrator to oversee the actions of a council.

Let me say to you – these powers I have described to you have been exercised.

Over the last couple of years, my department has completed 12 municipal inspections; six municipal corporate reviews; and 11 appointments of official administrators.

These measures have been effective.

But, in reviewing some of the provisions of Bill 202, I realize there may be ways for us to improve our practices – and to make them more transparent to the public.

Before I get to that, I would like to briefly review a number of recent initiatives that will support municipal accountability.

As you know, accountability goes far beyond finances and accounting.

The changes introduced under Bill 23 will greatly improve the system for assessment appeals.

Taxpayers will have greater access to information, and all appeals will be heard in a timely manner by well-trained board members.

As part of my mandate from the Premier, I am also working on an Accountability Framework for municipal grants.

Right now, there are 77 municipal grants across 13 ministries.

Municipalities have told us that finding and applying for all these grants is not an efficient use of their resources.

We are developing clear, consistent application and reporting requirements for all grants provided to municipalities.

We are also reviewing these grants to ensure that they are aligned with clear objectives – like core infrastructure and safe communities.

This will ensure we are getting full value for provincial funds provided to municipalities.

Albertans expect these funds to be invested wisely – in building strong communities for the future.

The Accountability Framework will make it easier for municipalities to do this, and easier for Albertans to see the results.

Municipalities are not only accountable for taxpayers' dollars.

More importantly they are accountable to provide essential services, manage community risks, and plan for the future.

Many municipalities face serious challenges in these areas – and some may not even be aware of it.

The Premier has also given me a mandate to come up with a strategy for municipal sustainability.

This strategy will identify what basic services a municipality should be responsible to provide.

It will develop tools to assist municipalities in assessing their viability and improving their capacity.

This is a broader definition of accountability and transparency than an auditor might consider, but it is critical to the future sustainability of Alberta's municipalities.

The initiatives I have highlighted will go a long way towards achieving some of the aims of Bill 202.

The Bill also suggests to me that there is more we could do to ensure that municipalities continue to be responsible and accountable.

First, we can adopt a regular, rotating schedule for Municipal Corporate Reviews.

This would mean that every municipality below a set population would receive a review every five years.

Second, to increase transparency, we could require the management letters for every municipal audit to be made public.

This would improve public access to the findings and recommendations of a municipality's independent auditor, without duplicating the work of that auditor.

Third, we can develop a web portal, where all municipal financial information would be made easily accessible to the public.

Finally, we can review the current measures for ensuring the independence of municipal auditors, particularly for municipalities with their own internal auditors.

We would consider hiring procedures, resources, access to information, and the role of the audit committee.

I know that municipalities are autonomous.

They are also responsible.

The vast majority of them have good financial practices and rigorous standards.

I also know that we work best with municipalities when we are supporting them.

I believe that the ideas I have put forward this morning could allow the Ministry to achieve the goals of Bill 202, while retaining the flexibility necessary to continue to support municipal sustainability and accountability.

There is no denying that Bill 202 has generated some great discussion.

As I have outlined, I do have some concerns with how this would work in practice.

Let me review what my department is willing to do to address some of these issues:

We are looking at adopting cyclical Municipal Corporate Reviews; requiring management letters be made public; developing systems to support better public access to information; and ensuring the independence of municipal auditors.

I do want to emphasize this process has helped to sharpen our focus.

I don't want to lose the importance of the issues this bill brings forward.

The principles in this Bill are ones that already guide our government.

Again, I would like to commend the honourable member for bringing this forward.

I would also like to thank the committee for its work.

We will continue to follow the work of this committee with great interest.

And, we know that Albertans will benefit from this discussion.

Thank you.