



Alberta Municipal Affairs

November 2018

Summary

- ② Total Recommendations
- ① New Recommendations
- ② Outstanding Recommendations
- ① Outstanding Recommendation Older than 3 Years
- ① **READY** for Follow-up Audit
- ② **NOT READY** for Follow-up Audit

We issued unqualified independent auditor's reports on the 2017–2018 financial statements for the Ministry of Municipal Affairs and the Department of Municipal Affairs.

There are no new recommendations to the department, Improvements Districts' Trust (Improvement Districts 4, 9, 12, 13, 24, 25 and 349), Kananaskis Improvement District, and Special Areas Trust in this report. There are two outstanding recommendations, one of which has been outstanding for more than three years.

The department implemented our October 2015 recommendation to develop and implement an improved method for updating and supporting its estimated disaster recovery program liability—see below.

Findings

Department

Matters from prior audits

Disaster Recovery Program (DRP)—updating the estimated liability—**recommendation implemented**

Context

In 2015¹ we recommended that the Department of Municipal Affairs develop and implement an improved method for updating and supporting its estimated disaster recovery program liability. We identified that the department did not have an adequate process for updating its estimated DRP liability, and management could not support significant assumptions behind their estimate at March 31, 2015.

The department's Alberta Emergency Management Agency (AEMA) is responsible to estimate the DRP liability. This information is then provided to the department's financial services branch, which compiles the department's financial statements.

Our audit findings

The Department of Municipal Affairs implemented our recommendation by improving its systems to update the estimated DRP liability.

- a) Methods for updating the estimated DRP liability
 - Municipal recovery projects**—Management improved the way it updates liability estimates for municipal DRP projects. Staff obtain additional information from municipalities to support the estimates. This includes an updated list of all

¹ Report of the Auditor General of Alberta—October 2015, no. 16, page 144.

outstanding disaster recovery projects at each municipality, as well as their estimated costs, project completion percentages and expected completion dates.

Over the last few years, we have observed management using engineering assessments more consistently to support the DRP liability. In our view, an estimate prepared by a qualified and independent DRP engineer provides a strong basis for an estimate, when available.

Other GOA recovery projects—Management has improved the way it updates liability estimates for DRP projects managed by other government departments. Staff obtain and review updated and timely project cost estimates and other qualitative project information from other departments. In addition, management maintains regular communication with other departments and meets with them to provide updates on the projects.

Contingency reserve estimate—Management continues to estimate a contingency reserve for unknown risks that could affect the cost of the disaster recovery program, such as scope changes, inflation or estimate accuracy. Staff calculate the reserve using a percentage of the remaining claims payable and estimates for other known risks that are expected to impact the DRP liability.

Management has established a contingency policy. The policy includes methodology to guide when, how and what sorts of contingencies management applies to DRP projects and their component parts, as well as how this contingency changes over time.

b) Support, analysis and review of the DRP liability

The department has improved its process to support, analyze and review the DRP liability at March 31, 2018. AEMA staff was able to provide support, rationale and methodology behind the DRP liability. Our testing this year did not identify any material errors in the DRP liability estimate.

c) Review of the estimated DRP liability by financial services

The department's financial services division has improved its level of understanding of the DRP liability. Prior to finalizing the DRP liability as at March 31, 2018, financial services staff received the DRP continuity schedule and support for the DRP receivable owed from the Government of Canada. Financial services has increased the number of meetings with AEMA to understand and discuss the final DRP estimate and any changes to it.

Recommendations

WHAT	WHEN	STATUS
<p>DEPARTMENT DISASTER RECOVERY PROGRAM TRANSITION:</p> <p>Implement a transition plan</p> <p>We recommend that the Department of Municipal Affairs implement its transition work plan to improve its disaster recovery program delivery system by:</p> <ul style="list-style-type: none"> obtaining skilled project managers and implementing project management practices that will achieve the objectives outlined in the plan improving project oversight to monitor implementation of the plan to ensure desired results are achieved within an acceptable time frame 	February 2016, no. 7, p. 62	NOT READY
<p>DEPARTMENT FLOOD MITIGATION SYSTEMS:</p> <p>Designate flood hazard area and complete floodway development regulation</p> <p>To minimize public safety risk and to avoid unnecessary expenditure of public money, we recommend that:</p> <ul style="list-style-type: none"> the Department of Environment and Parks identify flood hazard areas for designation by the minister the Department of Municipal Affairs: <ul style="list-style-type: none"> establish processes for controlling, regulating or prohibiting future land use or development to control risk in designated flood hazard areas put in place processes to enforce the regulatory requirement 	March 2015, no. 12, p. 80	NOT READY