



Somebody needs to mind the city store

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Are Albertans getting good value from the vast amounts of money their local governments spend on their behalf?

Without a good accounting watchdog it's hard for them to know, and that is precisely what the Calgary Chamber of Commerce is recommending.

The Chamber takes some inspiration from the U.S. Sarbanes-Oxley Act.

Signed into law six years ago by President George W. Bush, the act was his response to the accounting debacles of the Enron and WorldCom era. SOX, as it was less-than-affectionately called, was intended to make corporate governance more rigorous, financial practices more transparent and corporate executives criminally liable for lapses.

It had a chilly reception at first: 2003 is known as the audit year from hell. While regulators talked in hushed terms of prohibitive implementation costs, many chief financial officers blanched when the final bills arrived. Compliance actually cost two to three times the amounts anticipated and were about 10 times more onerous. Much complaining and whining ensued.

The 2004 audit was equally dreaded. More grumbling and bleating. But surprisingly, the audits were quicker and cheaper to do. A few brilliant, progressive executive teams had found a new tool to streamline operations, improve efficiencies and deliver higher value to their shareholders.

By 2007, the rest of the companies had figured out how to strengthen internal controls, produce more reliable documentation and standardize their automated and manual risk assessment processes.

So although SOX today has few fans, CFOs grudgingly admit it provides more shareholder protection -- the intent of the law -- and generates hefty bonuses for them.

Alberta's municipal governments could use a dose of SOX.

Not because they are guilty of malfeasance, but because they too need another device to streamline operations, improve efficiencies, and deliver higher value to their citizens (in addition to the eye-opening results a zero-based annual budget would bring).

The Chamber believes the province's best version of SOX would be to create an Office of Municipal Auditor General. Actually, a mini-Sheila Fraser (the federal auditor-general who strikes fear into the heart of every politician and is ranked as 66th greatest

Canadian) would do the trick.



The Chamber thinks this role should be structured to examine the operations of municipalities and tell Albertans if they are getting good value for their hard-earned property and business tax dollars.

It must be independent, have authority over key bureaucrats who are accountable for the accuracy and completeness of financial and risk management reporting, be able to investigate off balance sheet transactions, track internal controls, analyze potential conflicts of interest, provide protection to whistle-blowers and tell citizens how their elected officials and administrators are doing.

That office could also answer some critical questions the business community is keenly interested in:

- Are current programs and services necessary, well managed and efficient?
- Are there effective measures in place to track goals?
- Are there high-risk projects that may incur high cost overruns or debt?
- Are tendering contracts following acceptable, ethical procedures?
- Are safety measures tracked and implemented to prevent accidents?
- Would the privatization of certain municipal services and municipally owned utilities give taxpayers a better return, better service or a break on their taxes?
- Should the property tax system move away from the current income tax approach to a fee-for service assessment?

Local governments are similar to a series of supply chain management decisions. Managers make decisions based on what's appropriate within their immediate sphere of control. Often, these decisions run counter to the municipality's broader goals because they lack the breadth and depth needed to fully appreciate the consequences of those decisions on an organization-wide basis. An external auditor-general could identify best practices and help managers monitor and measure how well their decisions align against their bosses' top priorities.

Other Canadian jurisdictions -- Vancouver, Toronto, Ottawa and Halifax -- have found their auditor generals useful. The analysis helps set priorities (even when elected officials change and bring new concerns to council chambers) and measures the trade-offs necessary if budgets are slashed or programs scaled back.

Alberta's municipalities need to operate within a renewed, sustainable, accountable, responsive and effective fiscal environment. The Chamber recommends the province:

- Overhaul the municipal finance model to be more responsive to taxpayer demands and more closely link municipal revenues to activities -- without increasing the overall tax burden.
- Create an office of Municipal Auditor General to conduct value-for-money audits of municipal activities.



Just as Sarbanes-Oxley transformed the accountability and transparency of corporate executives, the Chamber believes a provincial version would deliver greater value to citizens. Surely the people administering the city's \$2.1 billion budget would be well served by the oversight of a municipal auditor general.