

Leading practices in Capital & Operational Procurement

AGLG – Asset Management – Procurement

Prepared by CM2 Ventures and the City of Campbell River for presenting to LGMA:



AGLG Audit of Campbell River

Timeline of Campbell River Audit

May 28, 2013 – The Mayor of Campbell River is advised by the office of Basia Ruta, Auditor General for Local Government (AGLG) that Campbell River has been selected for a performance audit on capital procurement projects and asset management projects.

May 29, 2013 – AGLG issued a news release announcing Initial Audit Topics for performance audits involving a number of local governments.

Summer 2013 – AGLG commences performance audit.

September 27, 2013 – Survey phase of audit complete. City advised of focus, scope and criteria of the audit (audit period 2010, 2011 and 2012).

October 24 & 25, 2013 – Examination phase commences with first site visit by AGLG (staff interviews and document requests)

January 22, 2014 – Advised by AGLG that the performance audit report will be published by August 31, 2014.

April 16, 2014 – Advised by AGLG that a final audit report (for Campbell River) will be produced for *discussion* by July, 2014.

April 30, 2014 – AGLG releases the first performance audit report (City of Rossland).

June 10, 2014 – Meeting with AGLG. Advised that the Draft Performance Audit Report expected for June 24, 2014 will be delayed.

June 20, 2014 – AGLG advised that the examination phase is continuing and the proposed final audit report will be available soon after the November election).

August 20, 2014 – AGLG selects projects:

- Video Surveillance System Installation
- Aeration Blower Replacement Project

March 27, 2015 – Mark Tatchell, Deputy Auditor General advised that Auditor General removed from her position. Performance audit continuing.

September, 2015 – AGLG confirms projects for audit:

- Aeration Blower Replacement Project
- Sybil Andrews Park Development Project

January 4 to 8, 2016 – AGLG site visit to conduct interviews, discuss procurement policy and facts and findings related to the two capital projects.

January 8, 2016 – Confidential Preliminary Report produced by AGLG.

January 20, 2016 – Comments/suggestions sent to AGLG regarding preliminary report.

February 2, 2016 – Final Audit report received from AGLG.

Key Findings of Campbell River Audit

Recommendation 1

The City of Campbell River should continue to develop its asset management framework by establishing the following key components:

- Asset management policy and supporting strategy;
- Formal risk-based approach to priority setting and risk registers; and,
- Lifecycle costing as part of financial planning.

Recommendation 2

The City of Campbell River should continue to develop to develop its asset management framework by strengthening the following key components:

- Asset information and condition assessment across core and critical infrastructure;
- Comprehensive asset management plans for all core and critical assets;
- Asset investment strategy; and
- Opportunities for public input.



Recommendation 3

The City of Campbell River should continue to develop to increase its asset management capacity and maturity level by ensuring:

- Greater uniformity and consistency in practice;
- Key staff responsible for asset management continues to receive training and guidance on sound asset management practices; and,
- Core competencies are identified and incorporated into job descriptions.



Recommendation 4

The City of Campbell River should finalize its balanced, long term financial planning approach involving a range of financing alternatives to address the risks related to its infrastructure deficit.



Recommendation 5

The City of Campbell River should :

- Review its purchasing policy and Employee Code of Conduct as well as establish a practice for regular review; and,
- Create a purchasing procedural manual and develop templates for procurement processes.



ASSET MANAGEMENT & AGLG



WHAT IS ASSET MANAGEMENT?

- ▶ Tool for good decision making
- ▶ Sustainable service delivery
- ▶ Existing & future service levels
- ▶ Ongoing iterative process
- ▶ Not PSAB 3150
- ▶ More than just end-of-life replacement

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WHAT IS ASSET MANAGEMENT (cont'd)

- ▶ What do you own and where is it?
 - Asset inventory
- ▶ What is it worth?
 - Replacement costs
- ▶ What condition is it in?
 - Physical
 - Demand/Capacity
 - Functionality
- ▶ What needs to be done and when?
 - Levels of service, criticality
 - Risk management
 - Maintenance needs, life cycle strategies
 - Renewal/replacement options

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BENEFITS OF ASSET MANAGEMENT?

- ▶ Cost effective service delivery
- ▶ Stable, predictable rates/taxes
- ▶ Defined service levels
- ▶ Risk management
- ▶ Informed decisions that integrate community priorities, values, and an understanding of the tradeoffs between:



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WHY ASSET MANAGEMENT?

- ▶ Infrastructure deficit
 - \$12B in 1985 to \$123B in 2007 (FCM)
- ▶ Funding and grant opportunities
 - Build Canada, Gas Tax
- ▶ Strategic priority
 - “We plan proactively for long-term costs of maintaining critical infrastructure”
- ▶ Assists with decision making and financial performance
- ▶ Best Practice
 - Sound asset management practices support sustainable service delivery (Asset Management BC)



AUDITOR GENERAL FOR LOCAL GOVERNMENT:

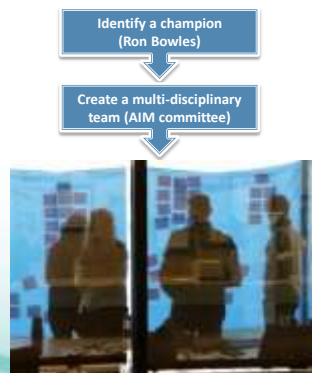
- ▶ Favorable results, but action is required:
 - Needs to develop an overarching AM policy and supporting strategy
 - Requires a coordinated corporate leadership approach
 - Lacking detailed condition assessments
 - Community input and consultation
 - Life cycle costing integrated in financial planning
 - Lacking a single leader accountable for AM



PLANNING AN AM STRATEGY:



PLANNING AN AM STRATEGY (CONT.):



PLANNING AN AM STRATEGY (CONT.):

AIM committee strategic planning

- ▶ A multi-disciplinary team
- ▶ Mission:
 - To develop a strategy and execute a process towards establishing a corporate-wide asset management system.
 - Maintain assets to meet current and future service needs.
- ▶ Goals:
 - Integrated asset management plan by 2021.
 - Develop processes for asset management.
- ▶ SWOT Analysis



PLANNING AN AM STRATEGY (CONT.):

Complete a preparedness self assessment

AM BC 'AssetSmart' Self Assessment



PLANNING AN AM STRATEGY (CONT.):

Complete a gap analysis

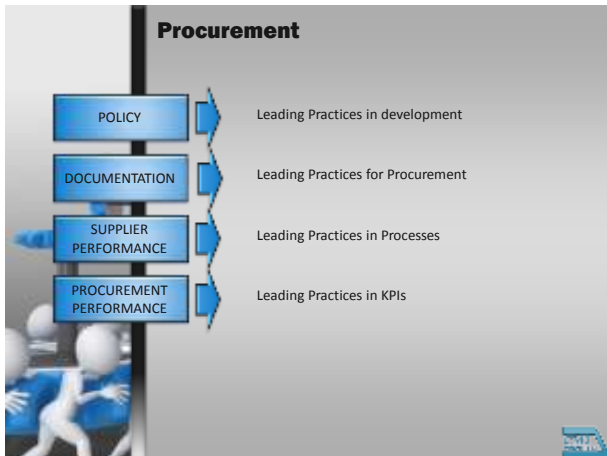
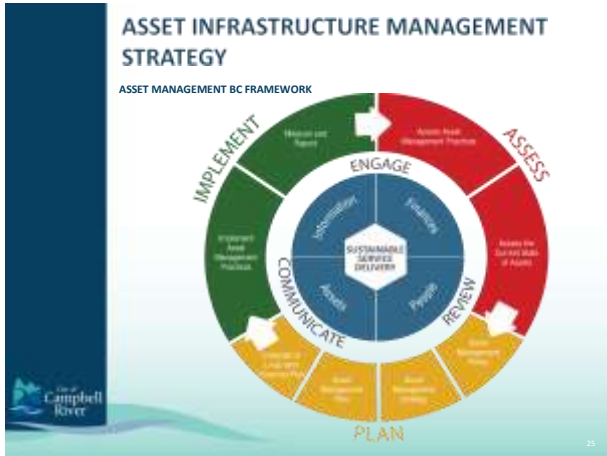
- ▶ Lacking asset information
- ▶ Limited decision making processes
- ▶ Incomplete asset lifecycle management
- ▶ Limited stakeholder engagement and sustainability monitoring




PLANNING AN AM STRATEGY (CONT.):

Develop an AM strategy



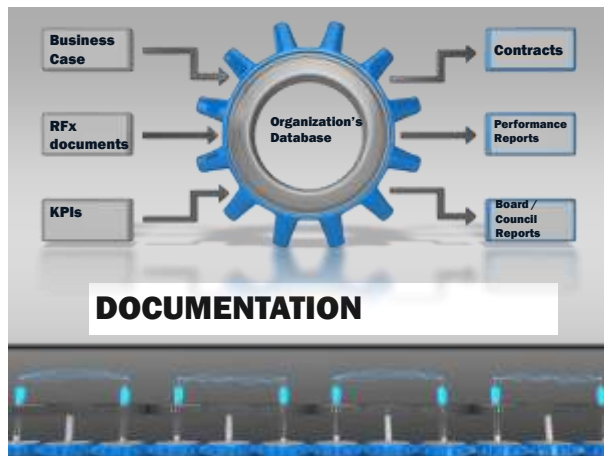



- ### Policy
- The foundational **Governance** Framework
 - Resides at the Council/Board level
 - Is reviewed annually “for information”
 - Reviewed formally when significant changes in the marketplace, or internally, occur
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Leading Practices

- Electronic and central database
- Accessible by public
- Contain comprehensive governance KPIs
- Sets the “tone” for administration
- Training must be provided at all levels of the organization.


Documentation

- Critical to managing operations
- Must be easily accessible when needed
- Ensures accountability
- Is used to support decisions and transparency
- Must be complete (every time)





Leading Practices

- Technology is used wherever possible
- Electronic and central database
- Includes a contract management system
- Uses standard templates where possible
- Provides various levels of access on a need to know basis



Leading Practices

- Those evaluating performance are very clear on the requirement for consistency
- Is supported throughout Administration
- Becomes a leading indicator of quality
- Accessible by various levels on a need to know basis



Too much to do?? Where do I start? My head hurts!! Help is out there:
The Procurement Toolkit Project
A collaborative effort between : LGMA, GFOA, Ministry of Community, Sport and Cultural Development, Municipal Finance Authority, Union of BC Municipalities, CivicInfo BC and Audit Council for the Auditor General of Local Government

