



REPORT

Report Date: July 3, 2020
Contact: Colleen Hardwick
Contact No.: 604.873.7240
RTS No.: 13734
VanRIMS No.: 08-2000-20
Meeting Date: July 22, 2020
[Submit comments to Council](#)

TO: Standing Committee on Policy and Strategic Priorities

FROM: Municipal Auditor General Informal Working Group:

- Rebecca Bligh
- Adriane Carr
- Lisa Dominato
- Pete Fry
- Colleen Hardwick
- Sarah Kirby-Yung

SUBJECT: Report Back on Establishing the Office of the Auditor General for the City of Vancouver

RECOMMENDATION

- A. THAT Council receive for information the report attached as Appendix "A" and entitled "*Establishing an Independent Auditor General Office for the City of Vancouver*", prepared by the Canadian Audit and Accountability Foundation (the "CAAF Report").
- B. THAT Council approve in principle the recommendations of the Canadian Audit and Accountability Foundation (CAAF) in the CAAF Report.
- C. THAT, if Council approves Recommendation B, Council direct the City Solicitor to prepare a By-law to implement the recommendations in the Canadian Audit and Accountability Foundation (CAAF) Report, and bring the By-law to Council on or before November 30, 2020.

REPORT SUMMARY

On October 2, 2019, the City of Vancouver Council passed a [motion](#) to establish a new audit function. This independent Auditor General office for the City of Vancouver is to be based on

“best practices, insights and experience observed in other major Canadian cities that have municipal Auditors General.”

Following a second [motion](#) passed on February 12, 2020, Council instructed the Informal Working Group to compile all recommendations, information, and advice received through the information-gathering process noted above and present its report to Council, along with recommendations for next steps in the larger process to establish an Independent Auditor General Office for the City of Vancouver, including any additional and/or expanded Terms of Reference that may be required as informed by the information-gathering process.

City Council subsequently engaged the Canadian Audit and Accountability Foundation (CAAF) to assist with creating this new institution. This report has been prepared using their in-house expertise, research and consultation with advisors.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

On [October 2, 2019](#), at the Standing Committee on City Finance and Services, Council unanimously voted in favour of a motion calling for the establishment of an Independent Auditor General Office for the City of Vancouver.

On [December 17, 2019](#), Council approved the City’s 2020 Budget, including Paragraph P which directed that “\$500,000 be reserved and allocated from the Operating Budget or existent \$750,000 remainder from the 2019 “Innovation Fund”, toward the establishment of an Auditor General’s Office in 2020.”

On [February 12, 2020](#), Council passed a motion to create a sub-committee created entitled the Municipal Auditor General Informal Working Group and establish the Terms of Reference and report back to Council for approval.

REPORT

Background/Context

On October 2, 2019, the City of Vancouver Council passed a motion to establish a new audit function. This independent Auditor General office for the City of Vancouver is to be based on “best practices, insights and experience observed in other major Canadian cities that have municipal Auditors General.” This is an important decision in the evolution of public sector accountability in Vancouver, and the City Council is now moving to implement its decision with the cooperation and support of the city administration.

City Council has engaged the Canadian Audit and Accountability Foundation (CAAF) to assist it in creating this new institution. Using in-house expertise, and our research and consultation with advisors, our objective is to provide Council with a research report that does the following:

Strategic Analysis

The following are summary recommendations from each section of the Report.

Recap of Recommendations on the Legal Basis

- The legal basis for OAG Vancouver (bylaw) should reflect recognized principles designed to safeguard independence;
- OAG Vancouver should be mandated to conduct performance and compliance audits that address use of all public monies; the efficiency, economy, and effectiveness of programs and operations; and public financial management;
- OAG Vancouver should be provided full discretion in discharging its mandate, including unrestricted access to information and freedom from interference by City Council or City management;
- As provided for in existing information and privacy legislation, audit working papers and files should be protected from disclosure to third parties and access to information requests.

Recap of Recommendations on Resources and Budget

- OAG Vancouver should be provided with adequate human, material, and financial resources to meet its mandate;
- The budget should not be arbitrarily set;
- At full capacity, OAG Vancouver should have 8 to 10 professional staff;
- City Council should keep in mind that its decisions regarding premises, IT infrastructure, administration, and corporate services impact the budget as well as the degree of independence;
- OAG Vancouver's budget should not depend on potential costs savings identified in the course of audit work.

Recap of Recommendations on Recruiting the Auditor General

- A hiring panel should be created, ideally with external members and advisors with performance audit experience, and not including management, to lead the recruitment process;
- An external recruitment firm should be engaged to identify suitable candidates;
- A long (seven-year) non-renewable term should be set for the Auditor General;
- Remuneration for the Auditor General should be set in line with compensation for executive-level city staff;
- The Auditor General's compensation should be structured so that it is free from influence from City management.

Recap of Recommendations on Administrative Arrangements, Premises, and Corporate Services

- OAG Vancouver's physical premises should ideally be separate from City offices, but if they are located within City offices, whether in City hall or in another City-managed building, additional security measures should be put in place to limit access;
- OAG Vancouver may rely on City-managed shared services for cost-effectiveness but should have the freedom to manage its corporate services in a way that maintains its independence from City management.

Recap of Recommendations on Staffing

- A staff complement of 8 to 10 FTEs should be hired because it will best allow the Office to discharge its mandate;
- The Office should be staffed up slowly, with audit professionals with experience in performance auditing and in local government;
- The Office should have a sufficient budget to support professional development for staff, both for training and peer exchange opportunities.

Recap of Recommendations on Audit Practice, Standards, and Office Policies

- The legal framework should reflect OAG Vancouver's requirement to follow recognized professional auditing standards, but the choice of standards should be left to the Auditor General;
- In its formative period, OAG Vancouver should develop its audit methodology, policies and audit planning process and communicate relevant aspects to the city administration and the public.

Recap of Recommendations on Conducting and Reporting Audits

- Recommendations should be followed up, because it is one of the most important ways to ensure they are implemented;
- Audit selection should be based on risk-related and other criteria, not potential cost savings;
- An appropriate way should be chosen to evaluate impact based on the audit topic.

Recap of Recommendations on an Audit Committee

- An audit committee should be created with 5 to 7 members;
- A clear mandate and terms of reference should be determined to deal specifically with audit work;
- External members should be allowed on the committee to ensure key skill sets are met;
- The committee should have the ability to meet publicly and in-camera to discuss audit reports with management and with the auditor;
- A follow-up process should be established to ensure audited organizations are making the recommended changes.

Implications/Related Issues/Risk

Financial

On December 17, 2019, Council approved the City's 2020 Budget, including Paragraph P which directed that "\$500,000 be reserved and allocated from the Operating Budget or existent \$750,000 remainder from the 2019 "Innovation Fund", toward the establishment of an Auditor General's Office in 2020."

Legal

In accordance with Recommendation C, the City Solicitor is to draft a By-law for Council's consideration.

CONCLUSION

The Informal Working Group for the establishment of an office of independent auditor general for Vancouver recommends Council approve in principle the recommendations of the Canadian Audit and Accountability Foundation's report and direct the City Solicitor to draft a bylaw implementing the recommendations for Council's approval.

* * * * *