



CANADIAN AUDIT
& ACCOUNTABILITY
FOUNDATION

Establishing An Independent Auditor General for the City of Vancouver

- John Reed, CAAF President and CEO

Who We Are

- Unique research and education foundation whose mission is to strengthen public sector performance audit, oversight and accountability in Canada and abroad
- Not-for-profit, independent, non-partisan, 40 years-old
- Funding members include international, federal, provincial and municipal audit organizations, professional bodies, and private sector accounting firms
- Vancouver Internal Audit Division is a member



Our Report

- Supports Council in implementing October 2, 2019 and February 19, 2020 motions to establish an Independent Auditor General Office for the City of Vancouver
- Based on in-house expertise, original research, comparative analysis, and extensive consultation
- Report provides
 - Context for municipal auditing
 - principles and good practices for design and operation
 - building blocks and pathway
 - recommendations



Table 1 – Types of Audits and Who Does What

| | Auditor General | City Auditor | Internal Auditor | Private Sector Firm |
|--|-----------------|--------------|------------------|---------------------|
| Performance audit Efficiency, economy, and effectiveness of programs, services, and departments | X | X | X | |
| Financial statement Whether a municipality's consolidated financial statements are accurate and have been prepared in accordance with recognized accounting principles | X* | | | X |
| Internal audit Whether risk management, control, and governance processes are effective | | X | X | |
| Compliance audit Whether activities and transactions are following applicable legal requirements as well as internal codes of conduct, policies, and procedures | X | X | X | X |

*In some jurisdictions, private sector firms work with the auditor general.



The Auditor General Model

- Auditors General exist in Halifax, Ottawa, Montreal, Toronto, all provincial legislative assemblies, the Parliament of Canada, and throughout Commonwealth countries
- A shared common purpose: To provide citizens with independent assurance whether governments are appropriately stewarding public money, spending resources as intended, and delivering public services economically, efficiently and effectively
- Origins in financial statement audit, “Value-for-Money” / “Performance” audit added in 1980s

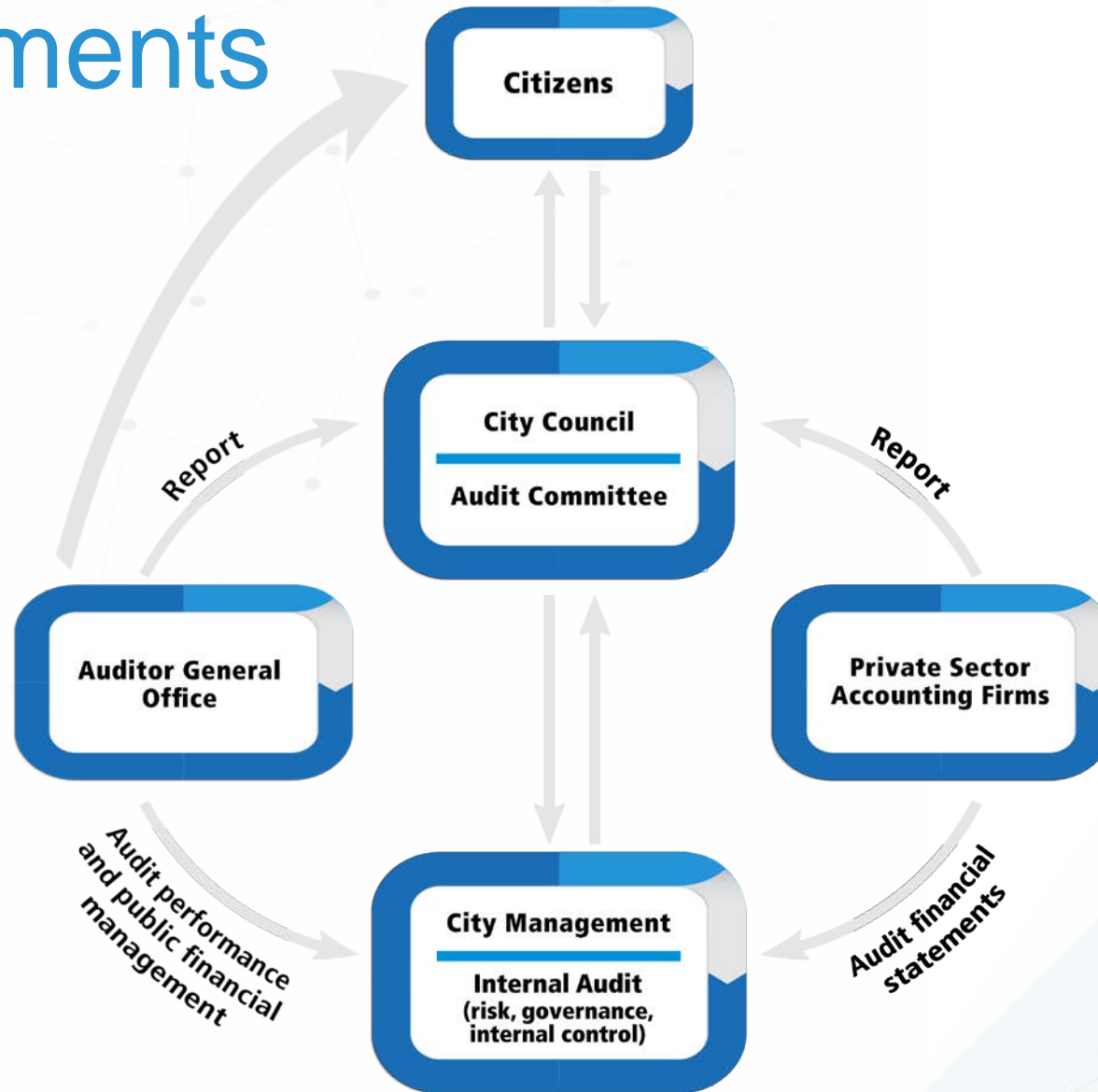


Principles for AGO Vancouver

- AG model is well-defined, based on globally recognized principles and good practices
 - Independence
 - Statutory / Legal basis
 - Broad mandate and full discretion to discharge
 - Unrestricted access to information
 - Freedom over content and timing of reports and communications
 - Financial and administrative autonomy
 - Adequate resources



Figure 1 - Current and Future Auditing Arrangements



What AGO Vancouver could look like

- Independent of City Council and City management
- Legal basis established through by-law under Vancouver Charter
- Mandated to audit
 - all public monies, resources and assets, including recipients
 - public financial management
 - economy, efficiency and effectiveness
- Audit staff of 8 to 10 full-time equivalents
- Auditor General's term is 7 years, non-renewable
- AGO Shares IT and HR services with the City (with provisions to protect security and independence) with separate premises



Figure 2 - Pathway for AGO Vancouver



Table 2 – Municipal Auditors General Budgets

| | Halifax | Montreal | Ottawa | Toronto |
|--|---------------|------------------------------|-----------------|---------------------------|
| City population | 440,000 | 2,100,000 | 1,000,000 | 2,950,000 |
| City operating budget | \$965 million | \$6.2 billion | \$3.4 billion | \$13.5 billion |
| City capital budget | \$164 million | \$2.0 billion | \$730 million | \$3.8 billion |
| Auditor General budget | \$1.1 million | \$6.2 million | \$2.0 million | \$6.7 million |
| Auditor General office (full-time equivalents) | 10 | 36 (+ 3 unstaffed positions) | 9 + contractors | 36 + contracted employees |



Tracking Cost Savings

- Performance audits can identify opportunities for efficiencies and cost-savings
- Toronto AGO, UK National Audit Office, and US General Accountability Office routinely report on cost-savings generated through the implementation of their recommendations
- AG community in Canada has general concerns with notion of an AG being mandate to generate savings
- CAAF suggests not to make AGO Vancouver's budget dependent on projected savings



Special Consideration: Internal Audit Division

- Question: What to do with IAD: Retain as is, combine with AGO, or eliminate?
- Answers:
 - All public sector audit models and types are important to good governance and accountability
 - Combining IAD and AGO is unsound
 - IAD serves an important management function
 - AGO Vancouver and IAD can complement
 - Both need to be adequately resourced

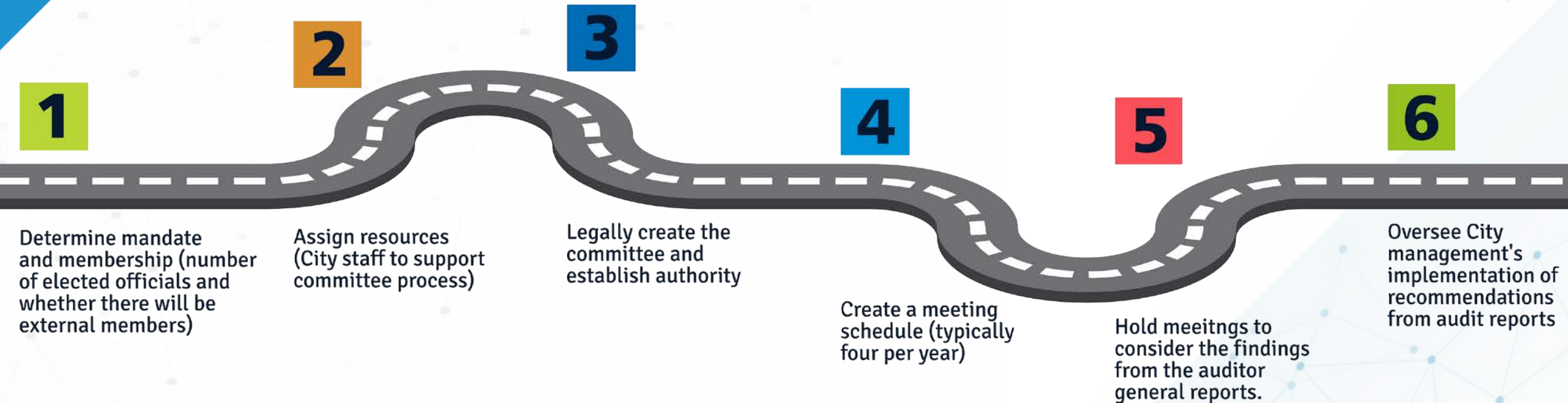


Good Practices for Oversight by Council

- Effective oversight by Vancouver City Council, on behalf of citizens, is part of the independent AG model
- Management is not accountable to the Auditor General
- Oversight is about holding management accountable for its performance implementing recommendations
- In many jurisdictions, oversight is exercised by an audit committee of Council
- Council does not oversee the AGO or the AG - independence
- CAAF good practices guide the creation and ongoing functioning of municipal audit committees



Figure 5 – Pathway to Creating Audit Committee





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