



CANADIAN AUDIT  
& ACCOUNTABILITY  
FOUNDATION

# Establishing An Independent Auditor General for the City of Vancouver

- Carol Bellringer, 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
<b>Performance audit</b> Efficiency, economy, and effectiveness of programs, services, and departments	X	X	X	
<b>Financial statement</b> Whether a municipality's consolidated financial statements are accurate and have been prepared in accordance with recognized accounting principles	X*			X
<b>Internal audit</b> Whether risk management, control, and governance processes are effective		X	X	
<b>Compliance audit</b> 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.



# Internal Audit and Auditor's General

- Serve different functions
  - Internal – provide management with needed insight
  - Provide assurance on effectiveness of governance, risk management, and internal controls.
- Auditor General – provide council (and in turn citizens) with independent assurance on appropriate stewardship of public funds, spending resources as intended and effectively delivering public services.



# Internal Audit and Auditor's General cont'd

- Coordination is required.
  - 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



# 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



# Size of the AG's office

- Appointed AG would decide based on several criteria, including:
  - Relationship, coordination, and structure of IAD
  - Relationship with management and council
  - Strategic work plan of AG





# 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



# 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



- Establish legal basis
- Determine resources/budget



- Recruit and train staff
- Determine audit practices, standards, office policies



- Recruit/appoint Auditor General
- Determine administrative arrangements
- Decide on premises and corporate services



- Conduct and report audits



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# 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

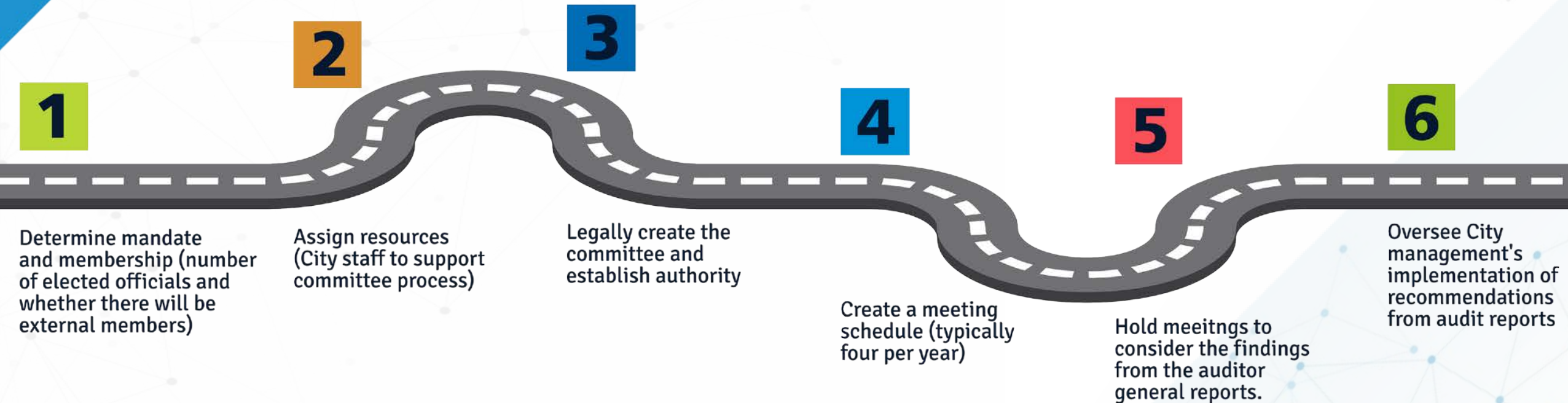


# Good Practices for Oversight by Council

- 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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