

# Establishing the Office of the Auditor General for the City of Vancouver

Municipal Auditor General Informal Working Group

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Bligh



Carr



Dominato



Fry



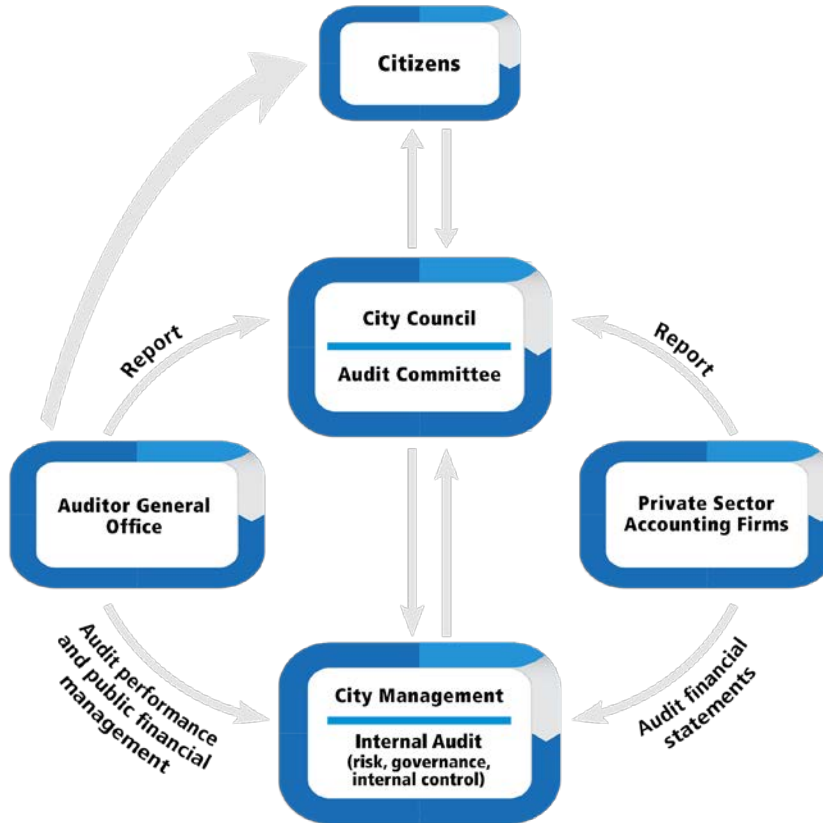
Hardwick



Kirby-Yung



# Current and Future Auditing Arrangements



# Council Authority/Previous Decisions

On [October 22, 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 establish the **Municipal Auditor General Informal Working Group** to complete the information-gathering process, work with the **CAAF** on recommendations, and to then report back with recommendations to Council.

On [July 22, 2020](#), the Informal Working Group and a representative of the **CAAF** presented their recommendations to Council on establishing an Office of Auditor General for Vancouver and these recommendations were approved unanimously by Council (the “**AGO Resolution**”).

# Report Summary

On July 22, 2020 the Informal Working Group presented its [report back to Council](#), along with its recommendations to establish an Independent Auditor General Office for the City of Vancouver.

This report **incorporated the recommendations** the Canadian Audit and Accountability Foundation (CAAF) which was retained to assist with creating this new office. For convenience of reference the final report of the CAAF ([“CAAF Final Report”](#)) is attached as **Appendix “D”**.

Council unanimously approved the recommendations of the Informal Working Group and the CAAF and directed the City Solicitor to bring back a **By-law** for Council’s **approval and enactment** for this purpose.

This Report includes the **recommended form of By-law** intended to achieve this purpose as well as **additional recommendations** to facilitate the establishment of the Office of Auditor General for the City via the **Committees of Council** required to be established to support the **recruitment** of the Auditor General as well as the **Auditor General Committee of Council**.

# Background/Context

This Report implements the resolutions of Council's **prior decisions** on the establishment of an independent Auditor General's Office (AGO).

A **By-law** has been drafted by the City Solicitor and is attached as **Appendix "A"**. The By-law has been drafted with the intent of implementing all of the Recommendations of the CAAF as set out in the **CAAF Final Report** and as endorsed by Council in the AGO Resolution with respect to providing the AGO with a **proper legal foundation**.

**Terms of Reference** for an **Auditor General Committee** have been drafted by the Informal Working Group and are attached as **Appendix "B"**. The Terms of Reference are intended to implement all of the Recommendations of the CAAF as set out in the **CAAF Final Report** and as endorsed by Council in the AGO Resolution for the establishment of an Auditor General Committee.

**Terms of Reference** for an **Auditor General Recruitment Committee** have been drafted by the Informal Working Group and are attached as **Appendix "C"**. The Terms of Reference are intended to implement all of the Recommendations of the CAAF as set out in the CAAF Final Report and as endorsed by Council in the AGO Resolution for the establishment of a **recruiting panel** for the recruitment of an Auditor General.

# Building Blocks on the Pathway to Creating AGO Vancouver



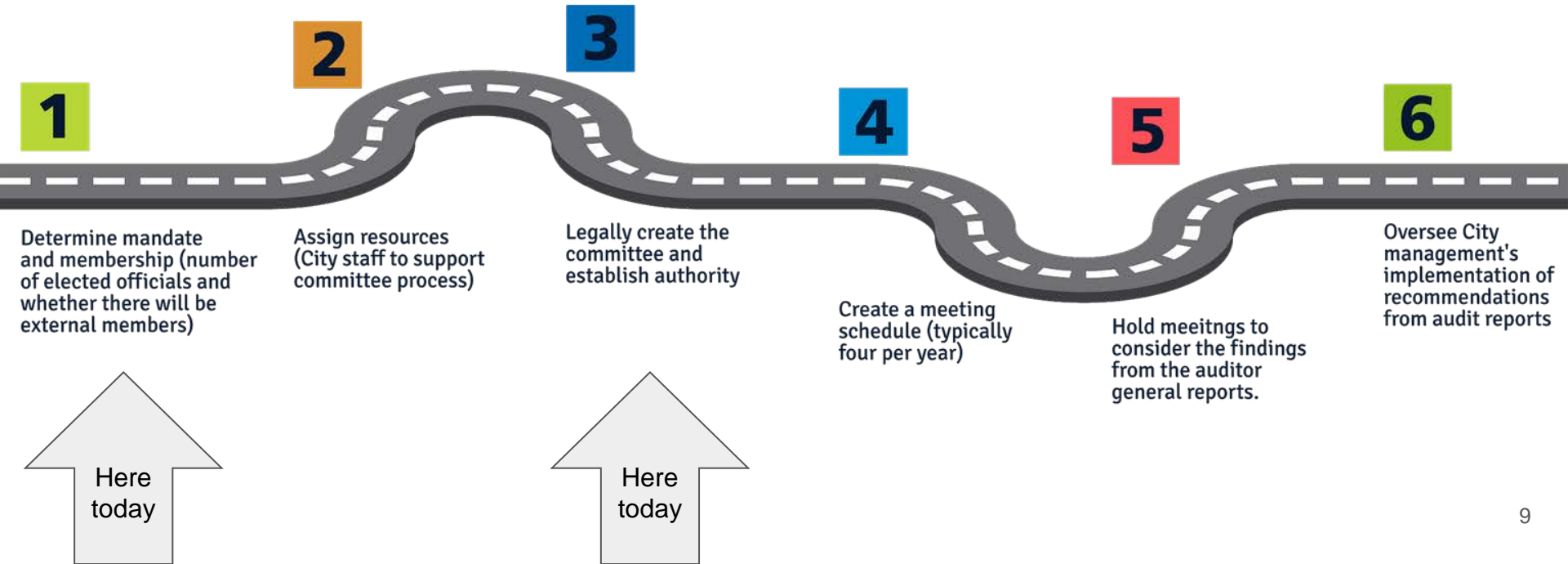
# The By-law:

The Informal Working Group recommends the approval of the **By-law** and for it to be brought back for **enactment** on the basis that it contains the following key elements as endorsed by Council in its AGO Resolution:

- The By-law incorporates recognized **principles designed to safeguard the independence** of the AGO Vancouver (to the extent available under the Vancouver Charter)
- The By-law clearly sets out the **mandate of the AGO Vancouver**, namely to conduct performance and compliance audits that address:
  - **use of all public money by the City,**
  - **efficiency, economy, and effectiveness of programs and operations, and**
  - **public financial management.**
- The By-law provides **full discretion to the AGO Vancouver in discharging its mandate, including unrestricted access to information and freedom from interference by City Council or City management.**
- The By-law provides for 7 year non-renewable term for each appointment of the Auditor General.
- The By-law provides for the remuneration for the Auditor General to be set in line with compensation for executive-level City staff but set by Council and **free from influence from City management.**
- The By-law requires the Auditor General to follow **recognized professional auditing standards**, but leaves the choice of standards to the Auditor General.



# Pathway to Creating an Audit Committee



# Auditor General Committee:

The Informal Working Group also recommends approval of the Terms of Reference for the Auditor General Committee. As endorsed by Council in the AGO Resolution, the Auditor General Committee will:

- be comprised of 7 members, namely **5 Councillors** and **2 External Advisory Liaison Members**;
- the External Advisory Liaison Members will have **key skill sets** to ensure an **appropriate level of expertise and guidance on auditing issues** to Councillors; and
- have a **clear mandate** to deal specifically with the work of the AGO Vancouver and the follow up on such work with City and any other organizations audited by the AGO Vancouver.

Inaugural Auditor General Committee:

1. Councillor Rebecca **Bligh**
2. Councillor Pete **Fry**
3. Councillor Colleen **Hardwick**
4. Councillor Sarah **Kirby-Yung**
5. Councilor Michael **Wiebe**

2 External Advisory Liaison Members TBD - recommendations from CAAF

# Recruitment Committee:

The Informal Working Group also recommends approval of the Terms of Reference for the **Auditor General Recruitment Committee**. As endorsed by Council in the AGO Resolution, the Auditor General Recruitment Committee will:

- be comprised of 7 members, namely **5 Councillors** and **2 External Advisory Liaison Members**;
- the External Advisory Liaison Members will have **performance audit experience** to ensure an appropriate level of expertise and guidance on recruiting the new Auditor General;
- be given **delegated authority** from Council to issue requests for proposal and then award a contract to utilize an external recruitment firm to identify suitable candidates; and
- be charged with **reporting** back to all of Council with a recommendation (or recommendations) to appoint a candidate to the position of Auditor General.

Inaugural Auditor General Recruitment Committee:

1. Councillor Rebecca **Bligh**
2. Councillor Adriane **Carr**
3. Councillor Lisa **Dominato**
4. Councillor Colleen **Hardwick**
5. Councillor Sarah **Kirby-Yung**

2 External Advisory Liaison Members TBD - Recommendations from CAAF

# Administrative Arrangements, Premises and Corporate Services:

The Informal Working Group also recommends approval of the following administrative arrangements which were implicitly also endorsed by Council in the AGO Resolution:

- The **General Manager of Real Estate and Facilities Management** be directed to report back on the most cost-effective office space options available for the provision of a physical office (with all City standard furnishings and equipment) for the AGO Vancouver, noting the office will be need to be configured to restrict access to all City staff except those within the AGO Vancouver, and the office will need to be able to accommodate a staff of 1-3 FTE's in **2021** and 8-10 FTE's by **2022**, and such report (including all costing for budget purposes) will need to be provided to the Auditor General Committee before **November 30, 2020**.

# Technology Arrangements

- The **Chief Technology Officer** be directed to report back on the recommended technology arrangements for the AGO Vancouver, noting that the AGO Vancouver staff will need to be provided with the City standard set of computers, mobile devices, printers, monitors, and other hardware and software and that such technology will need to be secured to at least the same level as is provided to the City's Legal Services group (which provides legal advice to the City and various City-affiliated entities such as the Vancouver Police Board and so has to have high security and access protection similar to that required by the AGO Vancouver) so as to ensure that all information created or used by the AGO Vancouver is not accessible by any City staff other than those within the AGO Vancouver and such report (including all costing for budget purposes) will need to be provided to the Auditor General Committee before **November 30, 2020**.

# City Services

- That all City staff including by way of example only and without limitation, staff within Supply Chain Management, Finance, Legal Services, Real Estate and Facilities Management, and Technology Services be directed to **provide the AGO Vancouver with all services normally supplied to the City** in the same manner and to the same level as is provided to all other parts of the City as though the AGO Vancouver were simply another City department, provided always that such services must be provided in such a way as to **ensure the security and privacy and independence** of the AGO Vancouver's work.

# Corporate Policies

- That the AGO Vancouver staff will be subject to all corporate policies of the City and its staff will abide by all of the City's corporate policies including by way of example only, with respect to conflict of interest, code of conduct, use of technology, gifts, substance abuse, respectful workplace, procurement, and budget/financial controls.

Only where the Auditor General has identified the requirement for an exception from the policies and that exception has been approved by the Auditor General Committee or Council will such part of such policy not apply to the AGO Vancouver staff.

# 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.”

The Informal Working Group has confirmed with the Director of Finance that the 2020 Operating Budget line item for **this matter contains sufficient funding for the cost of implementing the Auditor General recruitment in 2020 as outlined in this Report.**

The projected cost outlays for the remainder of 2020 are comprised of the cost of retaining an **external recruitment firm** and possibly **securing a lease for office space** and purchasing the necessary **technology** for the Auditor General.



# Timing and Budget

The **timing** of the AGO Vancouver is such that the salary costs for the Office of Auditor General are **not expected to commence until January 1, 2021 at the earliest** and as such the future funding for the AGO Vancouver will need to be resolved in the course of Council's budget deliberations on the 2021 Operating Budget. In addition to the **one time implementation costs** for which funds have been set aside in 2020, the office of the Auditor General will require funding for 2021.

It is estimated by City staff that the ongoing costs of the office will be up to \$2 million annually based on the requirements outlined in this report, which is equivalent to an additional property tax increase of 0.2%.

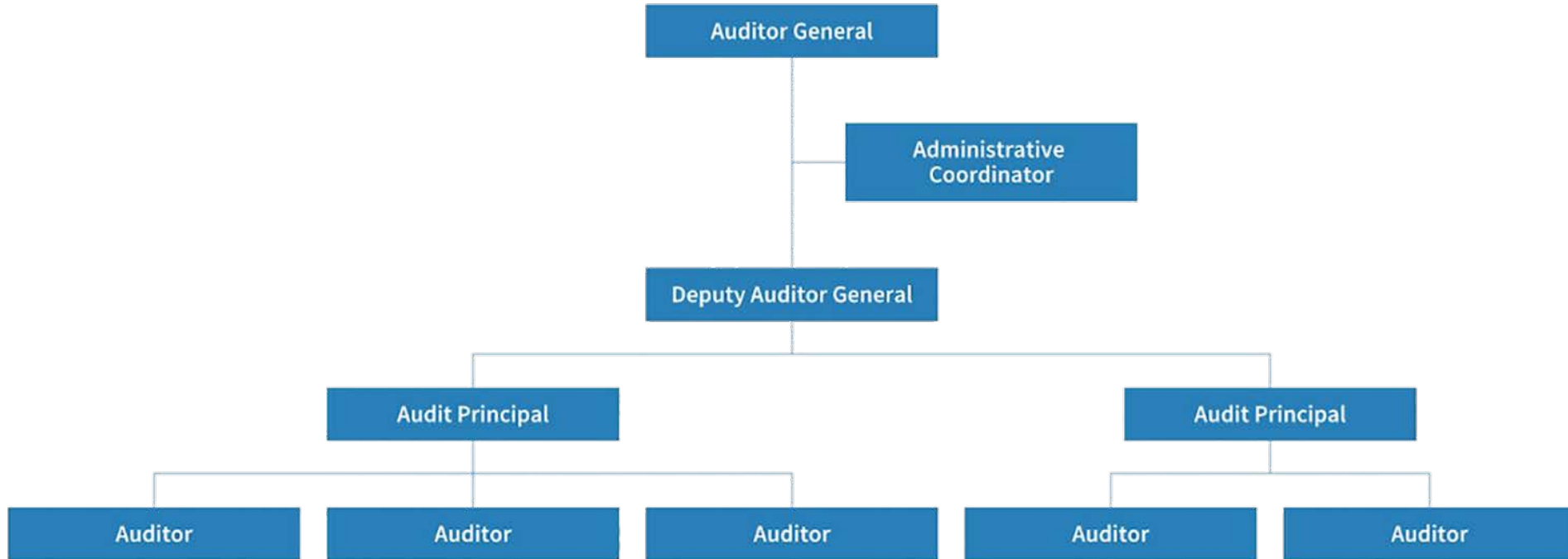
By approving this report, **Council will be committing to the implementation** of the Office of the Auditor General as outlined in this report. Upon approval, City staff will set aside funding for this amount in the 2021 budget and 5 year plan, and as part of the 2021 budgeting process staff will provide options to Council for the ongoing funding of the office from additional property tax or service level adjustments in other areas.

# Budget Assumptions per CAAF Report

Assumptions: CAAF Report p.29

- Comparable to Ottawa and Halifax Regional Municipality
- \$1-2 Million annual budget
- 8-10 full-time equivalent (FTE) professional audit staff
  - Added incrementally
- Operations and Maintenance “**O&M**”
  - Office premises, Legal, IT infrastructure, shared corporate services
  - Staff training, contracting subject matter experts
  - Publishing and communications
  - Office supplies, Licensing fees and professional dues
- One time O&M investments such as developing the professional practices and office methodology and initial staff training, software

# Sample Auditor General's Organizational Chart



# Rough Draft Budget

Auditor General	Competitive level; fits well as an estimate.	240,000
Deputy Auditor General	Reasonable	150,000
Audit Director #1	Dependent on the skill sets needed.	120,000
Audit Director #2	Changed title of role from Mgr. to Director (or equiv)	100,000
Audit Director #3	Reasonable, for a senior auditor level	80,000
Audit Director #4	Reasonable	72,000
Junior Staff #1 IT	Need an allocation of IT resources in lieu.	60,000
Junior Staff #2 Exec Asst.	Reasonable	50,000
Junior Staff #3 Admin	Reasonable	50,000
Junior Staff #4	May not be needed initially	
Benefits	Would likely be fine	300,000
Training	Allow for some room for travel	60,000
Office Rent	Need to adjust for Vancouver rents	48,000
Legal	Likely high, but not if any significant issues.	100,000
Corporate Services	Depends on allocation at City	60,000
Capital Expenditures	Not likely capital, but rather operating cost	24,000
IT infrastructure	Ballpark	24,000
Subtotal		1,538,000
Contingency	One time, non recurring cost reasonable.	153,800
Total		1,691,800

# Implications/Related Issues/Risk

- **Legal**

Approval of Recommendation A in this Report will result in the City Solicitor bringing a by-law substantially in the form attached as [Appendix “A”](#) to Council for enactment.

Upon Council’s enactment of the By-law, the legal foundation for the AGO Vancouver will be established.

**CITY OF VANCOUVER  
BRITISH COLUMBIA**



**BY-LAW NO. \_\_\_\_\_**

**This By-law is printed under and  
by authority of the Council of  
the City of Vancouver**

\_\_\_\_\_, 2020

# The System of Accountability



# Conclusion

The **Informal Working Group** for the establishment of an office of independent Auditor General for Vancouver **recommends** Council **approves** the **Recommendations** of this **Report** so that the **By-law** can be brought back for **enactment** and the **appointments** to the **Auditor General Committee** as well as the **Auditor General Recruitment Committee** can be made and the **recruitment of the Auditor General** can commence.

# Recommendations

- A. THAT Council direct the City Solicitor to bring forward for enactment, a **By-law** (the “By-law”) establishing an independent Office of the Auditor General substantially in the form attached as Appendix “A” to this Report.
- B. THAT Council establish an Auditor General Committee pursuant to Section 161 of the Vancouver Charter and approve the Terms of Reference for the Auditor General Committee as set out in Appendix “B” to this Report.
- C. THAT if Recommendation B is approved, Council appoint the following members of Council to the Auditor General Committee:
  - a. Councillor Rebecca Bligh
  - b. Councillor Pete Fry
  - c. Councillor Michael Wiebe
  - d. Councillor Colleen Hardwick
  - e. Councillor Sarah Kirby-Yung



# Recommendations

D. THAT Council establish an Auditor General Recruitment Committee pursuant to Section 161 of the Vancouver Charter and approve the Terms of Reference for Establishing the Office of the Auditor General for the City of Vancouver – RTS 14079 2 the Auditor General Recruitment Committee as set out in Appendix “C” to this Report

E. THAT if Recommendation D is approved, Council appoint the following members of Council to the Auditor General Recruitment Committee:

- a. Councillor Rebecca Bligh
- b. Councillor Adriane Carr
- c. Councillor Lisa Dominato
- d. Councillor Colleen Hardwick
- e. Councillor Sarah Kirby-Yung

F. THAT Council direct staff as set out in this report on the office space, technology, administrative and corporate services arrangements needed to support the establishment and operation of the AGO

# Questions?

City Solicitor's Office

Kelly Oehlschlager, Legal Counsel at City of Vancouver

Canadian Audit and Accountability Foundation ([CAAF](#))

Carol Bellringer, CEO

