



COUNCIL REPORT

Report Date: February 14, 2023
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Meeting Date: March 2, 2023
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TO: Auditor General Committee
FROM: Director of Legislative Operations, Deputy City Clerk
SUBJECT: Update to Auditor General Committee Terms of Reference

Recommendations

THAT The Auditor General Committee recommend to Council:

THAT Council adopt updated terms of reference for the Auditor General Committee, as identified in Appendix A of this report, dated February 14, 2023, entitled "Update to Auditor General Committee Terms of Reference," to add an alternate voting Committee member position;

FURTHER THAT Council appoint Councillor Zhou as the alternate member effective immediately.

Purpose and Executive Summary

This report responds to Auditor General Committee (AGC) direction that staff report back with revisions to the AGC Terms of Reference, to address the current high quorum requirement.

Council Authority/Previous Decisions

- On [November 4, 2020](#), pursuant to [Section 161](#) of the *Vancouver Charter*, the Standing Committee on Policy and Strategic Priorities approved terms of reference for the Auditor General Committee (AGC), comprised of 5 Councillors and 2 external non-voting advisory liaison members, with a quorum requirement of 4 out of the 5 Councillors.
- On [November 7, 2023](#), Council appointed Councillors Fry, Boyle, Kirby-Yung, Dominato, and Montague to the Auditor General Committee.
- On [February 2, 2023](#), the Auditor General Committee passed the following motion:

THAT the City Clerk be directed to report back at the next scheduled AGC meeting with revised Terms of Reference in recognition of the current high

quorum threshold of four of five members present, by adding an alternate committee member position for the Committee’s endorsement and subsequent recommendation to Council.

Auditor General Comments

The Auditor General concurs with the proposed amendments to the Terms of Reference for the Auditor General Committee.

Context and Background

In 2020, the Auditor General Committee was established as a Standing Committee with a quorum of 4 out of 5 Councillors. Since then, the Committee has experienced challenges meeting or maintaining quorum in meetings.

Discussion

The proposed update to the AGC Terms of Reference will add an alternate member, meant to attend meetings as a full voting member when a Councillor member is unable to attend. It is intended that this change will alleviate quorum pressure, while ensuring that the number of Councillors required to conduct business remains the same. A red-line version of the revised Terms of Reference is included as Appendix A.

Financial Implications

There are no financial implications associated with this report’s recommendations.

Legal Implications

This proposed revision to the Terms of Reference is authorized by the *Vancouver Charter* and consistent with the direction given to staff.

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APPENDIX A

Terms of Reference (*red-line* version)

Vancouver Auditor General Committee

A. PURPOSE

The Auditor General Committee is responsible to assist Council to provide oversight to the Auditor General on behalf of Council.

B. MEMBERSHIP

1. The Committee is established pursuant to Section 161 of the *Vancouver Charter* and will be comprised of 5 ~~members of Council~~ Councillor members appointed by Council.
2. The Committee will also include 1 alternate Councillor member, appointed by Council, to attend meetings in a full voting capacity, but only if a Councillor member is unable to attend.
3. The Committee will also be assisted by 2 external advisory liaison members who will be selected by the Committee following the appointment of the 5 6 Councillors to the Committee.
4. The 2 external advisory liaison members are to have relevant ~~auditing performance~~ performance audit experience.
5. Council will appoint the 5 6 Councillors, 5 Councillor members and one alternate, to the Auditor General Committee taking into account the following factors:
 - a. The Councillor with more expertise, audit-relevant experience, and interest in the Auditor General Committee than the other prospective appointees should be appointed as the Committee Chair; and
 - b. Councillors with accounting, public finance, or recent management experience should be preferred for appointment over those who do not have such experience.
6. The 5 Auditor General Committee Councillor members will select the external advisory liaison members applying analogous principles to 4.a and 4.b above

C. MANDATE/RESPONSIBILITIES

1. The Auditor General Committee's mandate is to:
 - a. Support the independence of the Auditor General;
 - b. Support the mandate of the Auditor General as set out in the Auditor General By-law; and
 - c. Provide the oversight prescribed by the Auditor General By-law to the Auditor General on behalf of Council.
2. The Auditor General Committee's responsibilities are to:
 - a. Carry out the duties assigned to it pursuant to the Auditor General By-law, including:
 - i. Drafting and approving, in consultation with the City Solicitor, Terms of Reference (External Terms of Reference) for the 2 external advisory liaison members ("**External Advisors**");

- ii. Issuing a call for volunteers to be External Advisors and selecting and securing written agreement of the External Advisors to the Terms of Reference (which will address confidentiality, volunteer status, conflict of interest, regular disclosure requirements, etc.);
 - iii. Receiving draft annual reports from the Auditor General and providing feedback to the Auditor General on same;
 - iv. Reviewing the final reports of the Auditor General and reporting to Council on the work of the Auditor General as well as any recommendations of the Auditor General Committee related to or supplemental to those of the Auditor General's reports, findings, and investigations;
 - v. Calling appropriate members of City's management to Auditor General Committee meetings as deemed necessary or appropriate by the Auditor General Committee to understand the City's management's perspective on reports, and to monitor how effectively and quickly recommendations are implemented and so as to assist Council to ensure all recommendations are implemented;
 - vi. Reviewing the annual budget request of the Auditor General and consulting with the Auditor General on same and making recommendations to Council within the timelines being followed by Council generally for the development of each annual operating budget;
 - vii. Periodically reviewing and reporting to Council on the remuneration of the Auditor General;
 - viii. Periodically reviewing the mandate of the Auditor General and making recommendations on same to Council;
 - ix. Periodically reviewing these Terms of Reference as well as the External Terms of Reference and any related guidelines, forms, or associated documentation; and
 - x. Replacing the External Advisors as and when necessary due to vacancy or otherwise;
- b. Convene meetings within 30 days of receiving any report or other communication from the Auditor General requiring review or decision by the Auditor General Committee;
 - c. Meet at least 3 times per year; and
 - d. Meet within 20 days of any request by the Auditor General for a meeting.
3. The Auditor General Committee's administrative responsibilities are to ensure that it has the appropriate budget, resources, and administrative support to complete its work, including the following:
- a. Including its budget requirements in the annual budget request of the Auditor General (for example the procurement of an expert, if needed);
 - b. Developing on or before February 28 of each year an annual plan that outlines the elements to be covered in each planned meeting to align with its responsibilities as set out above;
 - c. Developing each meeting agenda to reflect the annual plan and other pertinent topics that are anticipated to arise during the year; and
 - d. Identifying and ensuring it recommends to Council for approval if necessary sufficient City Clerk resources and support staff to undertake its duties, such as organizing the meetings, making necessary documents available, setting up the communication and presentation technology, taking minutes, and supporting follow-up.

4. Auditor General Committee members also have an individual responsibility to become and stay informed about key accounting principles related to risk, and the application of audit standards by auditors. Members may carry out this responsibility by:
 - a. Requesting that the external advisory liaison members or Auditor General regularly explain the standards used by and for the audits carried out by the Auditor General as well as the implications of the standards in terms of how the Auditor General has or will reach a conclusion on any given matter; and
 - b. Requesting or verifying that the interpretation of these standards is disclosed in all audit plans presented by the Auditor General.

D. AUDITOR GENERAL COMMITTEE PRIVILEGES

1. Committee members are permitted to meet privately with the Auditor General on request.
2. Committee members are entitled to have adequate and relevant orientation provided to them by the Auditor General, the Chair, or the External Advisors as appropriate so as to assist Committee members to:
 - a. Better understand the committee's purpose, procedures, and the roles of the chair and of members;
 - b. Better understand the similarities and differences between the different types of audit (financial audit, performance audit, internal audit, and special studies);
 - c. Better understand the general audit process, and the role of the Auditor General Committee in regard to each type of audit;
 - d. Better understand the accountability relationships among the external auditors, the Auditor General, Internal Audit, and the Director of Finance; and
 - e. Better understand the importance of the accountability relationships and how to best support the follow up on, and the implementation of, the Auditor General's recommendations.
3. Where the Committee has been given budget funds for same by Council, the Committee members will be given access to professional development to assist them in understanding current issues that impact their role.

E. COMMITTEE OBJECTIVES/GOALS

1. The Committee and its Chair will foster a cooperative relationship between members around a commitment to improving public accountability:
 - a. Cooperation and respect among members are encouraged;
 - b. Questions, concerns, and differences of opinion are openly addressed in a respectful manner; and
 - c. A focus on fulfilling the Committee's mandate and improving public accountability is used to unite members even when they face differences of opinion and of priorities.
2. The Committee will engage constructively with City management:
 - a. Interdependence between the Committee, external auditors, internal auditors, and management is fostered, while independence of the roles is respected.
 - b. The Committee treats invited guests respectfully.
 - c. Members ask constructive questions to understand management's perspective.
 - d. Questions are related to the topic being addressed.
 - e. The appropriate member of staff is called to answer any Committee questions and provide, when necessary, related documentation.

- f. The scope of the meeting is communicated to managers for the area under discussion, in advance of a meeting, so they can prepare appropriately.
 - g. Members ensure their questions are answered and request written follow-up if questions cannot be answered at the meeting.
 - h. Meeting minutes are to be sufficient to serve as a good record of the answers provided by management and of the necessary follow-up.
3. The Committee will allow sufficient time on the agenda to properly review and discuss the reports and other information being provided by the Auditor General to them.
 - a. The Committee dedicates sufficient time at each meeting to:
 - i. examine and discuss the Auditor General's reports issued on performance audits or special studies, investigations, or inquiries, and
 - ii. carry out the responsibilities assigned to it pursuant to the Auditor General By-law.
 - b. The Committee will dedicate time to speak privately with the Auditor General to get clarity on:
 - i. the reports,
 - ii. the relationship with management,
 - iii. any difference of view with management, and
 - iv. any particular risk of fraud or other issues.
4. The Committee will report regularly to Council on its work, including
 - a. on management's progress on implementing audit recommendations until the implementation is concluded.
 - b. an annual report to the Council that summarizes how it has achieved its mandate and responsibilities and its activities, including
 - i. comments on issues and matters of concern,
 - ii. recommendations of the Auditor General as supplemented where appropriate by the Committee
 - iii. any other information which will assist Council to consider and approve where necessary the recommendations, and to acknowledge the Committee's and Auditor General's work.
5. The Committee will periodically evaluate its own work and reflect on it (through an anonymous survey, peer review, and/or self-assessment).
6. The Committee will ensure audit recommendations are implemented:
 - a. The Committee will discuss the recommendations raised by audit reports;
 - b. The Committee will obtain assurance that the management accountability process is effective in monitoring implementation of the management action plans responding to the audit recommendations;
 - c. The Committee will communicate with management to obtain direct information about the action plans and to make any necessary improvements to the accountability process, and will invite management to attend Auditor General Committee meetings in this regard; and
 - d. The Committee will follow up with management and the Auditor General to ensure, with evidence, that recommendations have been implemented.
7. The Committee will seek out action plans and status updates from departments that outline how they will implement recommendations, including:
 - a. Ensuring management provides detailed action plans in response to the audit recommendations;

- b. Ensuring the plans provide detail on how management will address the Auditor General's (and Committee's if any) recommendations and who has responsibility for implementation;
 - c. Ensuring the action plans and status updates include realistic timelines and completion dates;
 - d. Ensuring the action plans are reviewed, and the implementation of the recommendations is tracked and recorded by management and by the support staff of the Committee; and
 - e. Through collaboration with the Auditor General and management, ensure that the Committee obtains and reviews detailed status updates from departments.
8. The Committee will ensure the continuity of work and transfer of knowledge, including:
- a. Ensuring that Council receives recommendations to appoint an Auditor General Committee in a timely manner following an election;
 - b. Ensuring the Committee has a method to ensure that work continues when Committee membership changes, including endeavouring to appoint the External Advisors so that their terms are staggered as between the two of them but that their two terms overlap any upcoming election;
 - c. Ensuring that there are clear and simple to read or watch orientation and training materials and resources that allow any new Committee member to be quickly briefed upon appointment and well in advance of any in person or regular training or updates from the Auditor General or Committee members; and
 - d. Ensuring the minutes and records of the Committee are readily available to new and existing members at all times for their review.

F. ACCOUNTABILITY OF COMMITTEE

The committee reports to Council.

G. PROCEDURE/QUORUM/VOTING

1. Meetings are meetings of a committee of Council and will be scheduled, conducted, and recorded in the same manner as any other meeting of Council in committee pursuant to the Procedure By-law.
2. For the purposes of the Procedure By-law, the Auditor General Committee is a standing committee.
3. Notwithstanding the normal standing committee quorum requirement of a majority of members, quorum will be 4 out of the 5 Councillors.
4. Decisions will generally be made by consensus, but in the absence of same, any Councillor may request a vote and the matter will be decided by a simple majority of the Councillors present.
5. The External Advisors are non-voting members.

H. MEETING FREQUENCY/VENUE

Meetings will occur in the manner set out under “Mandate/Responsibilities”

I. TERMS OF REFERENCE MAY BE REVIEWED

The Terms of Reference may be reviewed by the Committee on request, but delegated authorities may only be changed by resolution of Council.

J. TERMS OF REFERENCE TAKE EFFECT ON APPROVAL

These Terms of Reference take effect on the approval of them by Council.

Approved by Council: November 4, 2020

Amended by Council: _____, 2023