

## REPORT

Report Date: February 22, 2024  
Contact: Mike Macdonell  
Contact No.: 604.873.7134  
RTS No.: 16167  
VanRIMS No.: 08-2000-20  
Meeting Date: March 12, 2024  
[Submit comments to Council](#)

TO: Vancouver City Council

FROM: Chair of the Auditor General Committee

SUBJECT: Auditor General Committee Recommendations Transmittal Report

### **RECOMMENDATION**

THAT Council approve the recommendations from the February 22, 2024, Auditor General Committee meeting as follows:

THAT the Auditor General Committee receive the Auditor General's Report "2023 Annual Report and 2024 Operational Plan" dated January 30, 2024.

### **COUNCIL AUTHORITY/PREVIOUS DECISIONS**

- Per the [Auditor General By-law 3.14](#), the Office of the Auditor General will report directly to Council on any investigations or inquiries conducted by the Auditor General.
- On [November 4, 2020](#), pursuant to [Section 161](#) of the *Vancouver Charter*, Council established an Auditor General Committee to provide oversight to the Office of the Auditor General on behalf of Council.
- Pursuant to the [Procedure By-law 5.9](#), each standing committee is to report to Council on all matters resolved.

### **BACKGROUND**

At the Auditor General Committee meeting on February 22, 2024, the Committee considered one report, received one presentation, and made the recommendations identified above.

The audit report is attached for reference:

- Appendix A: "2023 Annual Report and 2024 Operational Plan" dated January 30, 2024.

**CONCLUSION**

This Report transmits the recommendations made by the Auditor General Committee at its meeting on February 22, 2024, for Council's consideration.

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# Appendix A



## Office of the Auditor General City of Vancouver

### **2023 Annual Report and 2024 Operational Plan**

January 2024

## Message from the Auditor General

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31 January 2024

To the Mayor and Council of the City of Vancouver,

In accordance with section 3.11 of the *Auditor General By-law*, I submit my 2023 Annual Report.

I release this report in conjunction with my 2024 Audit Plan, which outlines the audits we intend to undertake over the next three years.

Although I am required to provide only an Annual Report, this document is also the OAG's Operational Plan. In this way, Mayor and Council can readily see in one place how my office has performed, where it is now and where it is headed.

2023 represented the first full year of operations for the Office of the Auditor General for the City of Vancouver (OAG), and I look back with satisfaction at the milestones that were achieved: publication of our first audit reports, our first follow-up report and our first annual report. In June, we published a semi-annual update where we were able, for the first time, to articulate in real financial terms the impact the OAG has already had. While I am proud of this work, above all I am proud of the team that has continued to come together and produce value-added work for Vancouver.

Goal 4 addresses the estimated Return on Investment (ROI) for my office. There are risks for auditors in presenting this kind of information, and few Auditors General publish projected cost savings. Primary among these risks is that, as projections of what may happen in the future, potential savings are inherently unauditible. We take a conservative approach in calculating these estimates, but they remain nonetheless, estimates subject to change and significant uncertainty.

There is also a risk of creating an expectation that all audits will have positive financial implications. They don't. Audit topics are selected based on several criteria, the potential for financial return being only one, and not necessarily the primary one. We intend for all audit topics to be significant and relevant. Significance and relevance encompass financial impact, but also impact on the City's operations and its residents, as well as timing and urgency.

I have chosen to estimate potential cost savings, cost avoidance and enhanced revenue from implementing audit recommendations because I firmly believe that I am just as accountable for achieving results as any other City employee. We do not live in a world of unlimited resources, so it is only fair and reasonable to expect that my office, in addition to helping improve the overall effectiveness of the City's operations, will at the very least pay for itself. This is the long-term goal I have set, and to date, we have exceeded this target.

I thank Mayor and Council for their continued support of the OAG and for the opportunity to contribute to improving the economy, efficiency and effectiveness of the City's operations.

A handwritten signature in black ink, appearing to read "Mike Macdonell", with a horizontal line underneath the name.

Mike Macdonell, MBA, CFE, FCPA, FCA  
Auditor General  
Vancouver, B.C.

## About the Office of the Auditor General

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The Auditor General By-law No. 12816 (AG By-law) was enacted by City Council on November 4<sup>th</sup>, 2020, with amendments adopted on October 17<sup>th</sup>, 2023, in relation to whistleblowing.



Photo: Kent Kallberg

Pursuant to the AG By-law, Mike Macdonell was selected by the Auditor General Recruitment Committee and was appointed by Council as the City of Vancouver's inaugural Auditor General for a seven-year term commencing September 7<sup>th</sup>, 2021.

Section 3 of the AG By-law describes the Auditor General's mandate and responsibilities as follows:

- to assist Council in holding itself and City administrators accountable for the quality of stewardship over public funds and for achievement of value for money in City operations;
- to carry out financial (excluding attest), compliance and performance audits of all programs, activities and functions of all City departments, the offices of the Mayor and members of Council, Boards and City-Controlled Corporations (responsibility for auditing the annual financial statements of the City is described in the *Vancouver Charter* and is excluded from the responsibilities of the Auditor General);
- to fulfill the responsibilities assigned under the City's Whistleblower Policy;
- to undertake financial (excluding attest), compliance and performance audits and provide recommendations to a Board, but only upon request of that Board;
- to consider undertaking such other duties respecting audit matters as are recommended by Council from time to time; and,
- to immediately report to Council any attempts at interference with the work of the Office of the Auditor General.

The AG By-law stipulates that the Auditor General is accountable only to Council and, although an employee of the City, is separate from the operations and leadership of the City and is not accountable to City staff. Functionally, the Auditor General reports to the Auditor General Committee (AGC), a sub-committee of Council comprised of five Councillors plus one alternate, and three lay representatives.

## First Full Years of Operations

2023 represented the first full year of operations for the OAG where a number of “firsts” were achieved. Our first audit report, an examination of Building Permit Fees, was released in January and presented to Council at the AGC’s meeting on February 2<sup>nd</sup>. All five of the report’s recommendations were accepted by the City, and all five were endorsed by Council.



*OAG team members left to right: Subran Premachandran, Lori Berndt, Anna Mattei, Lorinda Stoneman, Mike Macdonell, Stacey Lee, Felix Cheu, Kenny Cham, Jenny Lau.*

Also in January, the OAG’s first Annual Report and Operational Plan was released in conjunction with the Office’s 2023 Audit Plan. It represented the first of what will be an annual publication that outlines in one place what the OAG has accomplished in prior years and plans to accomplish in future years, in relation to measurable targets.

Under the AGC’s Terms of Reference, follow-up on the Auditor General’s recommendations is the responsibility of Council. Council and the Auditor General agreed on a process whereby the OAG coordinates a semi-annual self-assessment by audited departments on the status of outstanding audit recommendations. This non-assurance report (no audit work or other

verification is conducted) provides an efficient and effective mechanism to ensure Council-approved audit recommendations receive appropriate attention and to monitor the status of implementation of those recommendations.

The first Semi-Annual Follow-up Report was issued and reported to the AGC in December, covering recommendations from our first three audit reports: Building Permit Fees, Office Furniture Purchases and the Permitting Program Cost Recovery Model.

### *Audit Work*

Five audit reports were released in 2023.

[Building Permit Fees](#), January: This audit examined whether the City had implemented processes to accurately and consistently assess building permit fees in compliance with the Vancouver Building By-law. We also looked at whether administrative processes were clearly defined, well understood and appropriately resourced. The report contained five recommendations, all of which were accepted by the City and were endorsed by Council.

[Office Furniture Purchases](#), February: The audit examined whether the City's purchases of office furniture were made with due regard for best value and included an examination of procurement policies and processes. The report contained five recommendations, all of which were accepted by the City and were endorsed by Council.

[Permitting Program Cost Recovery Model](#), May: The audit examined whether the City's permitting program cost recovery model was designed and applied to ensure that the full costs of services were recovered and projected reserve fund balances were sufficient to stabilize future operations. The report contained eight recommendations, all of which were accepted by the City and were endorsed by Council.

[Park Board Revenue Management](#), November: At the request of the Vancouver Board of Parks and Recreation (the Park Board), we undertook an audit examination of whether the Park Board operated an effective framework to achieve revenue-related objectives for its assets and services that generate revenue. The report contained six recommendations, all of which were accepted by the Park Board and were endorsed by Council.

[Vancouver Police Department Enterprise Risk Management](#), December: At the request of the Vancouver Police Board (Police Board), we undertook an examination of whether the Vancouver Police Department effectively oversaw and managed enterprise risks. The report contained nine recommendations, all of which were accepted by the Police Board and Department and were endorsed by Council.



## Whistleblowing

At its meeting on April 22<sup>nd</sup>, 2022, the AGC recommended to Council that the City's Whistleblower Policy be revised so that the Auditor General be delegated responsibility for:

- The intake, assessment and investigation of complaints;
- Making recommendations for corrective action; and
- Publicly reporting results.

Complaints involving elected officials are to be referred to the Integrity Commissioner. The AGC also recommended to Council that the definition of whistleblower be expanded to include complainants external to the City. Council approved these recommendations on June 21<sup>st</sup>, 2022.

The OAG worked with the City to revise the Whistleblower Policy to encompass these changes, as well as bring it in line with the City's new Respect in the Workplace and Code of Conduct policies.

On October 17<sup>th</sup>, 2023, the revised Whistleblower Policy was approved by Council with changes effective January 1<sup>st</sup>, 2024, along with agreement in principle to consequential amendments to the Auditor General By-law. As of December 31<sup>st</sup>, 2023, the OAG was interviewing candidates to fill two new positions authorized by Council to staff this function. Existing OAG team members will support this new function until the recruitment is complete.

## OAG Performance Framework

**Mandate** – To assist Council in holding itself and City administrators accountable for the quality of stewardship over public funds and for achievement of value for money in City operations.

**Mission** – To provide assurance that City of Vancouver services are delivered with due care for economy, efficiency and effectiveness.

**Goals** – Consistent with the practices of leading legislative audit offices in Canada, the operations of the OAG are focussed on achieving key strategic goals. The four goals identified below reflect priorities in measuring the office's ongoing performance and impact.

**2023 Goal 1** – To establish an independent whistleblower function within the OAG.

**Goal 2** – To produce objective, high quality audits in accordance with Canadian Audit Standards.

**Goal 3** – To provide City departments with objective, helpful recommendations.

**Goal 4** – To produce a positive return on investment for Vancouver taxpayers.

## Key Performance Indicators

**Goal 1** – To establish an independent whistleblower function within the OAG.

### Key Performance Indicators

KPI	Description	2023 Target	2023 Actual	2024 Target
1.1 Number of investigators hired in 2023	Through the budget process, Council's Auditor General Committee endorsed the hiring of two staff in 2024.	2	-	2
<p><u>Notes:</u> Targets for this goal were developed under the assumption that a revised Whistleblower Policy would be in place before mid-year. Instead, a revised policy was not approved by Council until Q4. Recruitment began immediately after the revised Whistleblower Policy was approved by Council in mid-October and was ongoing at year end. New team members will be in place by the beginning of Q2.</p>				
1.2 Develop and operationalize procedures and infrastructure to support the OAG's independent whistleblowing function	Develop and implement administrative procedures for the intake, processing, investigation and reporting of whistleblower activities. Acquire and install an IT platform to support the OAG's whistleblower function as part of the installation of the OAG audit platform.	Q4 2023	In progress	Q2 2024
<p><u>Notes:</u> Work is ongoing. In preparation for the assumption of responsibility of the whistleblowing function, the OAG worked with the City's Technology Services and Access to Information and Privacy departments to enhance confidentiality and bring the existing intake system into compliance with relevant privacy legislation. The existing intake system is nearing the end of its lifespan, and we are exploring integration of investigation files with the audit platform we are currently installing. Administrative procedures for the intake and processing of complaints have been drafted and will be further refined, along with completion of procedures for investigations and reporting, when the whistleblowing team is in place.</p>				

**Goal 2** – To produce objective, high quality audits in accordance with Canadian Audit Standards.

### Key Performance Indicators

KPI	Description	2022 Actual	2023 Target	2023 Actual	2024 Target
2.1 Number of reports produced	Audit reports are the principal output of the OAG's operations and the primary means of communicating the results of our work to Council and the public.	1	6	6	5
<p><u>Notes:</u> Five audit reports and one follow-up report were released in 2023. The OAG 2024 Audit Plan provides more information on upcoming work in 2024.</p>					
2.2 Proportion of audit files passing inspection by the Chartered Professional Accountants of BC (CPABC)	The OAG is a licensed practicing office with CPABC, subject to periodic inspection by the Public Practice Committee. Performing all audit work in accordance with Canadian Audit Standards is an essential input to ensure the credibility of our work.	n/a	100%	100%	n/a
<p><u>Notes:</u> CPABC's first practice inspection was conducted in March 2023. No reportable deficiencies were identified, and the OAG met the practice review's requirements as was reported to the AGC in accordance with AG By-law section 3.18. CPABC's next inspection is anticipated in three years.</p>					

**Goal 3** – To provide City departments with objective, helpful recommendations.

### Key Performance Indicators

KPI	Description	2022 Actual	2023 Target	2023 Actual	2024 Target
3.1 Proportion of recommendations accepted by audited departments	Recommendations made to audited departments are intended to address opportunities for improvement identified during our work, address underlying issues, be practicable and be cost effective. Acceptance by audited departments is an important short-term outcome on the path to achieving our mission.	n/a	100%	100%	100%
<p><u>Notes:</u> The five audit reports issued in 2023 contained a total of 33 recommendation, all of which were accepted by the audited departments.</p>					
3.2 Proportion of recommendations endorsed by the AGC	After receiving our audit findings and recommendations as well as management's response to them, AGC's endorsement of audit recommendations is a short-term outcome confirming the need for action.	n/a	100%	100%	100%
<p><u>Notes:</u> The five audit reports issued in 2023 contained a total of 33 recommendations. Of these recommendations, 24 were endorsed by the AGC in the 2023 calendar year, and a further nine were endorsed at the AGC's first meeting in 2024.</p>					
3.3 Proportion of recommendations fully implemented by audited departments within three years	Performance on this mid-term outcome will be determined through the OAG's follow-up process. Some recommendations may take longer than three years to fully implement, and City departments may find alternate approaches to address the root causes.	n/a	Fully measured in 2026	39%	Fully measured in 2026
<p><u>Notes:</u> The OAG's first Follow-up Report was issued in December, providing an update on the status of 18 recommendations contained in the first three audit reports issued by the OAG. Audited departments reported that five, or 28% of these recommendations had been fully implemented, with alternate action take for another two recommendations (11%). Alternative actions represent action take by department that were not anticipated in the recommendation but address the underlying issues. As such, they are considered as fulfilling the recommendations' underlying intent.</p>					

**Goal 4** – To produce a positive return on investment for Vancouver taxpayers.

**Key Performance Indicator**

KPI	Description	2022 Actual	2023 Target	2023 Actual	2024 Target
4.1 Proportion of OAG five-year operational costs matched by positive financial impacts for the City attributable to our recommendations	Many audit recommendations should, if fully implemented, produce positive financial impacts through cost savings, cost avoidance or enhanced revenue. We aim to ensure such savings at least match the office's cost of operations over a five-year period. This long-term outcome ensures the OAG provides value for Vancouver taxpayers.	n/a	Fully measured in 2028	160%	100%

Notes: As noted in KPI 3.3, the City acted quickly to implement or take alternate action on 39% of our audit recommendations before year end which, we estimate, should result in financial benefits to the City totalling \$5.7 million. When compared to the total cost to operate the OAG since inception (\$3 million) this yields an ROI of 160%. Removing start-up costs from this calculation (\$551,00) increases the ROI to 196%.

The long-term goal is for the OAG's costs to at least match its financial benefit to the City – in other words, to break even. To date, we estimate that we have exceeded this target. At this juncture we estimate that the total positive financial impact to the City of our work will amount to \$56 million.

2023	Audit	Estimated One Time Benefits	Estimated Annual Recurring Benefits					Total
			2023	2024	2025	2026	2027	
1	Building Permit Fees	-	\$ 885,329	\$ 1,196,224	\$ 1,196,224	\$ 1,196,224	\$ 1,196,224	\$ 5,670,225
2	Office Furniture Purchases	-	-	-	-	-	-	-
3	Permit Cost Recovery Model	-	4,000,000	11,700,000	11,700,000	11,700,000	11,700,000	50,800,000
4	Park Board Revenue Mgt.	-	-	TBD*	TBD*	TBD*	TBD*	TBD*
5	VPD Enterprise Risk Mgt.	-	-	-	-	-	-	-
		<b>A</b>	<b>\$ 4,885,329</b>	<b>\$ 12,896,224</b>	<b>\$ 12,896,224</b>	<b>\$ 12,896,224</b>	<b>\$ 12,896,224</b>	<b>\$ 56,470,225</b>
	<b>Annual Operating Costs</b>	2021	\$ 159,167	TBD*	Financial benefits from the Park Board audit are expected but are dependant on Park Board actions that have yet to be determined.			
		2022	1,177,328					
		2023	1,713,147					
	<b>Total Cumulative Operating Cost</b>		<b>\$ 3,049,642</b>	<b>B</b>				
	<b>Return on Investment</b>		<b>160%</b>	<b>A/B</b>				
	<b>Net of Set-up Costs</b>		<b>2,498,425</b>	<b>196%</b>				

## Record Retention

In accordance with section 7.10 of the AG By-law, the Auditor General reports that the storage of non-audit records is either fully integrated with the City or, for a small number of documents related to human resource matters, retained in accordance with the City's record retention policies.

Audit records are retained in accordance with the requirements of Canadian Audit Standards. The OAG's record retention policy for audit records will be further developed as work concludes on the acquisition and installation of an audit software platform in 2024.