



Office of the Auditor General City of Vancouver

2024 Annual Report and 2025 Operational Plan

January 2025

Message from the Auditor General

31 January 2025

To the Mayor and Council of the City of Vancouver,

In accordance with section 3.11 of the City of Vancouver's *Auditor General By-law*, I submit my 2024 Annual Report.

I release this report in conjunction with my 2025 Audit Plan, which outlines the audits I intend for my team to undertake over the next three years.

Although I am required to only report annually, and have already done so regularly through the year on the results of my work, this document provides a summary of the year's activities and also the OAG's Operational Plan for the coming year. 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.

2024 represented the second full year of operations for the Office of the Auditor General for the City of Vancouver (OAG), and our first year undertaking responsibilities under the Whistleblower Policy. I look back with satisfaction at the audit reports we issued and our semi-annual follow-up process which continued to mature and demonstrate the value the OAG provides to Vancouver. While I am proud of this work, above all I am proud of the team that I've assembled and the professionalism and commitment they demonstrate every day.

I am pleased to report that we are on track to achieve all four of our long-term performance goals and are meeting the performance targets identified for each of our key performance indicators. With the office now fully staffed and with two years of performance under our belts, my focus is shifting from building to performing. Going forward the OAG's primary focus will be to produce objective, high quality audits, to conduct timely, effective investigations, and to provide value-added recommendations, which are reflected in the Office's first three goals.

Goal 4 addresses the estimated Return on Investment (ROI) for my office. I am aware of no other Auditor General at any level of government in Canada who voluntarily publishes estimated cost savings resulting from their audit work. I believe this is due, in large part, to the challenges and risks associated with auditors presenting this kind of information. Primary among these challenges is the issue of attribution. It is the City that ultimately implements my audit recommendations, and it is difficult to directly attribute to my work costs that have been saved or avoided, or revenues that have been enhanced. I take a conservative approach in calculating these amounts and update them periodically in consultation with the City, but they remain nonetheless, estimates that cannot be independently verified. I also project potential future

savings. As estimates of what may happen in the future, these figures are also inherently unauditable.

There is also a risk of creating an expectation that all audits will have positive financial implications. They don't and they shouldn't. Audit topics are selected based on several criteria, the potential for financial return being only one, and not necessarily the primary one. I intend for all audit topics to be significant and relevant. Significance and relevance encompass financial impact, but also include potential impacts on the City's operations and its residents, compliance with laws and policies, good governance and public accountability. Many benefits are inherently unquantifiable – but that should not diminish perceptions of their importance. I have provided a list of these non-financial benefits in conjunction with my reporting on return on investment under Goal 4.

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 pay for itself. This is the long-term target I have set, and to date, we have exceeded it.

I thank the 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

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



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 7th, 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 Year for Whistleblowing, Second Full Year of Operations

Effective January 1st, 2024, the OAG assumed responsibility for the receipt, assessment and investigation of reports of serious wrongdoing as defined under City's Whistleblower Policy. Establishing the independent whistleblowing function is the focus of the OAG's 2024 Goal 1. It also represented the second full year of operations for the OAG as a whole.

Audit Work

Three audit reports were released in 2024.

[Childcare, Cultural and Social Non-Profit Leases](#), June: This audit examined whether the City effectively managed its portfolio of 119 below-market and nominal leases with non-profit organizations. The report contained ten recommendations, all of which were accepted by the City and were endorsed by Council.

[Vancouver Police Department Organizational Performance Management](#), October: At the request of the Vancouver Police Board we undertook an examination of the effectiveness of the Vancouver Police Department's performance management processes. The report contained four recommendations, all of which were accepted by the Board and Department and were endorsed by Council.

[Cybersecurity](#), December: The audit examined aspects of the City's cybersecurity posture. Due to the sensitive nature of the topic and the risk posed to the City by disclosure of potential vulnerabilities, the report was presented to Council in camera as permitted under Section 165.2(1)(d) of the *Vancouver Charter*.

Follow-up Work

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 the City's implementation of those recommendations.

Our second and third Follow-up Reports were issued in June and December 2024, updating Council on the status of recommendations issued in our first six audit reports, issued between January 2023 and June 2024. Goal 3 below discusses our recommendations, including KPI 3.3 which measures the City's progress in implementing recommendations over time.

When the June 2024 Follow-up Report was presented at the Auditor General Committee's June 20th meeting, committee members had a number of questions for staff regarding their status updates. Some of these queries led the committee to ask the Auditor General to make further enquiries of the Development, Building and Licencing department, the Board of Parks and Recreation, and the Vancouver Police Department, and report back to the committee on the results. The results of this requested work were reported back to the AGC at its October meeting.

The self-assessment model for following-up on the status of audit recommendations only works if Council reviews management's representations with a critical eye. That Council's request for further work resulted in adjustments to three self-assessments is evidence that this process is working as intended.



OAG team members left to right: Anna Mattei, Becky Ma, Lori Berndt, Varun Banthia, Subran Premachandran, Mike Macdonell, Lorinda Stoneman, Hamish Flanagan, Kenny Cham, Jenny Lau, Felix Cheu.

Whistleblowing

At its meeting on April 22nd, 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.

Any complaints involving elected officials continue 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 21st, 2022. The OAG worked with the City to revise the Whistleblower Policy to encompass these changes and bring it in line with the City's new Respect in the Workplace and Code of Conduct policies.

On October 17th, 2023, the revised Whistleblower Policy was approved by Council with changes effective January 1st, 2024, along with agreement in principle to consequential amendments to the Auditor General By-law. As of January 1st, 2024, the OAG began accepting and assessing complaints under the Whistleblower Policy. Existing OAG staff supported the function until two investigators joined the OAG team in April. A separate Whistleblowing Annual Report will be issued in February 2024, fulfilling the requirements of the Whistleblower Policy.

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. As the OAG for the City of Vancouver was being established, the initial priority (Goal 1) was to get operations up and running (initially the performance audit function, followed by the whistleblowing function). As the work of building the OAG nears completion the Office's focus has transitioned from building to performing. The four goals identified below reflect priorities in measuring the Office's ongoing performance and impact.

2024 Goal 1 – To establish an independent whistleblower function within the OAG.
(This goal has now been completed and will be discontinued in 2025.)

2024 Goal 2 / 2025 Goal 1 – To produce objective, high quality audits in accordance with Canadian Audit Standards.

2025 Goal 2 – To conduct timely and effective investigations of complaints received under the City's Whistleblower Policy.

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

2024 Goal 1 – To establish an independent whistleblower function within the OAG.

Key Performance Indicators

KPI	Description	2024 Target	2024 Actual
1.1 Number of investigators hired in 2024	Through the budget process, Council's Auditor General Committee endorsed the hiring of two staff in 2024.	2	2
<p><u>Notes:</u> Two new team members joined the OAG in April 2024, both with backgrounds in investigations and performance audit.</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.	Q2 2024	Q3 2024 IT:Q2 2025 (estimated)
<p>Notes: With the hiring of whistleblowing investigators, procedures for the intake, assessment and investigation of complaints were implemented. Service levels will be measured as described in 2025 Goal 2 below.</p> <p>The existing IT system, inherited from the City, is nearing the end of its lifespan. A new system will be implemented as part of the OAG's audit platform currently in the initial stages of implementation.</p>			

2024 Goal 2 / 2025 Goal 1 – To produce objective, high quality audits in accordance with Canadian Audit Standards.

Key Performance Indicators

KPI	Description	2023 Actual	2024 Target	2024 Actual	2025 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.	6	5	5	6
<p><u>Notes:</u> Three audit reports and two follow-up reports were released in 2024. The OAG 2025 Audit Plan provides more information on upcoming work in 2025-27.</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 its Public Practice Committee. Performing all audit work in accordance with Canadian Audit Standards is an essential input to ensure the credibility of our work.	100%	n/a	n/a	n/a
<p><u>Notes:</u> CPABC's first practice inspection was conducted in March 2023. The OAG met the practice review's requirements with no reportable deficiencies identified. This result was reported to the AGC in accordance with AG By-law section 3.18. CPABC's next inspection is anticipated in 2026. In the meantime, we have invited the Auditor General of Halifax Regional Municipality to conduct a peer review which we anticipate will be completed mid-year.</p>					

2025 Goal 2 – To conduct timely and effective investigations of complaints received under the City's Whistleblower Policy.

Key Performance Indicators

KPI	Description	2025 Target
2.1 Timely assessment of whistleblower reports	An initial assessment will be conducted of every report received under the Whistleblower Policy to determine if, on its face, it could constitute serious wrongdoing as defined in the policy. This assessment will be completed and, where contact information has been provided, the complainant advised of the outcome.	10 days
<p><u>Notes:</u> Timely assessments of whistleblower reports is intended to build confidence in the process by providing complainants with assurance that their allegations have been given appropriate consideration.</p>		
2.2 Implementation rate for recommendations stemming from investigations	Investigations of reports under the Whistleblower process may lead to recommendations for corrective action, including the improvement of City processes and policies but excluding employee discipline. Follow-up on the status of recommendations will be conducted annually and reported to Council.	90% after 1 year
<p><u>Notes:</u> The recommendations resulting from investigations tend to be more straightforward to implement than many of the recommendations made as a result of performance audits, which can focus on issues that are more complicated and systemic. As a result, it is anticipated that they will be implemented more quickly. Because of these differences, the follow-up process for recommendations for corrective action stemming from investigations will be conducted separately from the follow-up process for audit recommendations referenced in Goal 3.</p>		

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

Key Performance Indicators

KPI	Description	2023 Actual	2024 Target	2024 Actual	2025 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.	100%	100%	100%	100%
<p><u>Notes:</u> The three audit reports issued in 2024 contained a total of 21 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.	100%	100%	100%	100%
<p><u>Notes:</u> The three audit reports issued in 2024 contained a total of 21 recommendations. All of these recommendations were endorsed by the AGC.</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.	39% (7/18)	Fully measured in 2026	36% (12/33)	Fully measured in 2026
<p><u>Notes:</u> Two Follow-up Reports were issued in 2024; in June and December. The December report provided an update on the status of 43 total recommendations contained in the six audit reports the OAG issued up to June 2024. Audited departments reported that 12, or 28% of these recommendations had been fully implemented or that appropriate alternate action had been taken. Alternative actions are those taken by departments that were not anticipated in the recommendation but address the underlying issues. As such, they are considered as fulfilling the recommendations’ underlying intent. For the 33 recommendations issued in 2023, 12 or 36% were reported as having been fully implemented as of December 2024.</p>					

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

Key Performance Indicator

KPI	Description	2023 Actual	2024 Target	2024 Actual	2025 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.	160%	100%	328%	Fully measured in 2028

Notes: KPI 3.3 reports on the City's rate of implementation of our audit recommendations. We estimate implementation to date should result in financial benefits to the City totalling \$16.9 million. When compared to the total cost to operate the OAG since inception (\$5.2 million) this yields a Return on Investment (ROI) of 328%. Removing start-up costs from this calculation (\$551,000) increases the ROI to 367%.

As outlined in the Auditor General's opening comments, the long-term goal is for the OAG's financial benefit to at least match its cost 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 to date will amount to \$78 million. Our estimates are updated periodically and will change as new information is gathered.

		Estimated Annual Recurring Benefits							
		2023	2024	2025	2026	2027	2028	2029	Total
Audit									
Building Permit Fees		\$ 885,329	\$ 320,083	\$ 1,196,224	\$ 1,196,224	\$ 1,196,224	\$ -	\$ -	\$ 4,794,084
Office Furniture Purchases		-	-	-	-	-	-	-	-
Permit Cost Recovery Model		4,000,000	11,700,000	11,700,000	11,700,000	11,700,000	-	-	50,800,000
Park Board Revenue Mgt.		-	-	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	8,000,000
VPD Enterprise Risk Mgt.		-	-	-	-	-	-	-	-
NPO Leases		-	-	2,912,000	2,912,000	2,912,000	2,912,000	2,912,000	14,560,000
	A	\$ 4,885,329	\$12,020,083	\$17,408,224	\$17,408,224	\$17,408,224	\$ 4,512,000	\$ 4,512,000	\$ 78,154,084
Annual Operating Costs	2021	\$ 159,167							
	2022	1,177,328							
	2023	1,713,147							
	2024	2,102,049							
Total Cumulative Operating Cost		\$ 5,151,691	B						
Return on Investment	A/B	328%							
Net of Set-up Costs		4,600,474	367%						

Non- Financial Benefits

While important, the estimated financial benefits above must be considered in the context of the non-financial benefits of our work which are just as, if not more important. Over the last two years the OAG has issued recommendations to improve:

- The effectiveness and efficiency of the building permit application process;
- Compliance with the City's Building By-law;
- The economy of office furniture purchases;
- Compliance with national and international trade agreements;
- The clarity of the City's procurement tendering documents;
- The transparency of financial reporting permit reserves and subsidization;
- Compliance with requirements of the Vancouver Charter;
- The security of the City's technology assets;
- The transparency of Park Board financial reporting;
- The effectiveness of Park Board performance management and monitoring;
- The effectiveness of the Park Board's fee setting framework;
- The effectiveness of communication between the Park Board and City Council;
- The effectiveness of the Vancouver Police Board's oversight over the Vancouver Police Department's performance and enterprise risk management;
- The effectiveness and efficiency of the Vancouver Police Department's enterprise risk management;
- The transparency of Vancouver Police Department's public performance reporting;
- The completeness of grant information provided to Council related to non-profit leases;
- The effectiveness of non-profit lease renewals;
- The effectiveness and efficiency of the City's oversight of non-profit lease operators;
- and,
- The economy of non-profit lease funding.

Record Retention

In accordance with section 6.10 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 separately by the OAG 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 2025.