



## Ethics, auditors, values – not an afterthought

by Michael Asner

I've been accused of BC bashing – not just in this column, but in my procurement training workshops as well. I've told stories about BC agencies abusing the procurement process, and about one agency ignoring the Supreme Court. When speaking, I sometimes use a BC example of the worst term I've found in any organization's Request for Proposal (RFP) – “The Evaluation Team is entitled to rely upon the fact that their deliberations, assessments, evaluations, recommendations are and will continue to be confidential and non-discloseable and non-compellable by any of the Proponents.”

So, I'm pleased to bring you this good-news story from BC. It's not about Enron – but about VanCity, a large credit union owned by its members. It's not about Andersen – it's about Grant Thornton, the fifth largest accounting firm in Canada. And it's not about corruption or sleazy behaviour or illegal acts. It doesn't involve a shredder, the police, fraud, theft or secret deals. It's about an RFP, a proposal, social values and excellence!

Here is the story. More than a year ago, in June of 2001, VanCity issued an RFP for an external auditor. Now VanCity works very hard at “values” stuff ... every year it gives \$1million to a non-profit agency based on a vote of its members. Its excellent reputation as a responsible, caring, committed organization is built on involvement in each community. VanCity is one of the few financial institutions that I know of that has a loan officer who, full-time, deals with disadvantaged people trying to help them, rather than explaining why they need lots of money to get a loan! In many areas of corporate social responsibility, VanCity sets the standard.

VanCity's RFP had all the usual stuff in it. They were looking for external auditors with appropriate experience and qualifications. The winning firm would comply with the instructions in their RFP, agree to their standard terms and conditions and then be judged as the best in three broad categories:

- Audit process requirements,
- Knowledge and experience requirements, and
- Corporate social and environmental requirements.

The first two categories are exactly what you'd expect if you were looking for a well-qualified professional firm to do your external audits. It's the last category that was innovative. The firms were to be assessed, not on their professional qualifications, but on social values. It was not good enough to be an excellent audit firm; you had to be committed to actions that demonstrated your firm's social responsibility to its staff and the community.

This category was divided into three sub-categories:

1. Social Responsibility. VanCity was seeking a firm “committed to the well-being of its employees and the BC communities in which it

operates.” To demonstrate a commitment to employee well-being, the firm had to provide information about its benefits package, full versus part-time employment, the provision of education and training to employees and employee equity and wellness programs. VanCity was also seeking a firm that could demonstrate its commitment to community well-being in terms of its charitable donation program, volunteerism of its staff and actual money contributed to local communities.

2. Environmental Responsibility. VanCity was seeking a firm “committed to minimizing its impact on the environment” as demonstrated by its environmental policy, its purchasing policy and special environmental programs related to issues such as recycling.
3. Local Impact. VanCity was seeking a firm that “has a positive impact on the BC economy” as demonstrated by the number of BC employees and the proportion of dollars spent with BC-based companies. Five firms responded. Three were short-listed by the evaluation committee.

Grant Thornton won the competition. It scored highest in six of the seven sub-categories, including Values. It won because its actions as a firm were a close match with VanCity's values. A low score in the values section would have been detrimental.

Grant Thornton's proposal strategy stressed the similarity of the two firms' culture and values. Their proposal, entitled “Culture, Involvement & Commitment,” included nine pages describing Grant Thornton's policies, programs, and accomplishments related to corporate, social and environmental issues.

VanCity has been including values in its evaluation process since 1999 and their procurement policy requires that values be part of every competitive procurement.

I believe that VanCity can serve as a model for other organizations. They know that values are important ... for employees, for customers, and for differentiating the firm. They have utilized *values-based* procurement before it was fashionable, and certainly before it was essential, before Enron, or Andersen, and years before Canada's Auditor General called the RCMP.

*In my opinion*, organizations, including public sector entities, should follow the lead of VanCity and build values into their processes for selecting suppliers. *\*\*\**

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