

TORONTO STAFF REPORT

May 12, 2005

To: Audit Committee

From: Auditor General

Subject: Auditor General's Proposed Participation in the International Program for Improved Governance and Accountability in South Africa

Purpose:

To seek Council's approval to participate in the International Program for Improved Governance and Accountability in South Africa – a partnership initiative involving the governments of South Africa, Canada, the Province of Ontario, the City of Toronto, the Canadian Comprehensive Auditing Foundation, the World Bank and the Institute of Internal Auditors.

Financial Implications and Impact Statement:

There are no financial implications resulting from the adoption of the recommendation contained in this report.

Recommendations:

It is recommended that the participation of the Auditor General's Office in the International Assistance Program for Improved Governance and Accountability in South Africa be approved.

Background:

The Auditor General was recently invited by the National Treasury of the Republic of South Africa to speak at a major local government audit conference in Johannesburg, South Africa. Over 300 delegates attended this conference from various local government organizations throughout South Africa.

Subsequent to the conference, and at the request of the Government of South Africa, the Auditor General held informal discussions with the Accountant-General, National Treasury of the Republic of South Africa and the Deputy Auditor General of South Africa, concerning the possibility of the City of Toronto participating in a proposed partnership with Canada's Auditor General's Office and the Internal Audit Division of the Management Board Secretariat of the Province of Ontario.

If this program is approved, the City of Toronto's Auditor General will play a prominent management role in this endeavour along with the Auditor General of Canada and the Auditor General of Ontario. Other important participants will be the Institute of Internal Auditors (South Africa and international head office) and the Forum of the South African Heads of Internal Audit. It is expected that other Canadian provincial governments will also eventually be brought into roles in the program.

The objective of the program is to enhance the effectiveness of the Internal Audit function and to afford previously disadvantaged staff from South Africa the opportunity to experience world-class audit environments and best practices and alleviate the shortage of skilled public sector internal auditors in South Africa.

Comments:

The program will comprise of the following:

- (a) Fellowship Program Component:
 - (i) Nine-month work/training assignments for selected South African audit staff to Canada's and Ontario's respective Internal Audit organizations, as well as to the City of Toronto's Auditor General's Office. The salaries of South African staff will be funded by the World Bank.
- (b) A specialist training program (delivered in South Africa) for internal audit practitioners:
 - (i) The review of public sector audit training needs and the identification of gaps.
 - (ii) The development and implementation of an audit curriculum for the South African Internal Auditors – in consultation with the Institute of Internal Auditors.

The benefits of the program will be as follows:

1. To the Canadian, Ontario governments and the City of Toronto

The Governments of Canada and Ontario and the City of Toronto would benefit from the exposure to broader auditing perspectives and from involvement in alternative audit environments. South African best practices in areas such as audit legislation could be applied in Canada.

2. To the South African Government

- Improved governance and oversight functions, better risk management and control in South African governments.
- Enhancing of the professional image of the public sector both locally and globally.

- Marketing of government and the public sector in general.
- Contributing towards South Africa's social responsibility by:
 - affording previously disadvantaged staff the opportunity to experience world class audit environments and best practices;
 - alleviating the shortage of skilled public sector internal auditors in South Africa;
 - forming productive and lasting relationships with foreign counterparts; and
 - sharing knowledge, achievements and strengths and thus adding value to global economic improvement.
- Benchmarking against world practices, thereby improving on South Africa's own processes.
- Contribute towards establishing a global best practice in the field of internal audit.
- Transfer of best practises, experience, skill and competencies, especially in the field of performance auditing, control self-assessment, computer auditing and forensic auditing.
- Application of advanced information technology.
- Improved capability and productivity of South African internal audit staff and their organizations.
- Dissemination of learning, practices and methodologies during national conferences such as the Public Sector Conference recently held in South Africa.

3. To Africa as a Whole:

This programme, if successful, can serve as a pilot project and a template for programmes to enhance internal auditing in other African countries. In particular, the Provinces of Quebec and Alberta have expressed interest in participating in a similar initiative. In the case of Quebec, the focus would be on Francophone African countries.

4. To the World Bank

The World Bank would participate in promoting significant improvements in public sector governance in South Africa and other African countries. It would be seen as a force in contributing to securing democratic institutions and the provision of better government in Africa, by enabling permanent long-term improvement.

This programme links directly to the World Bank's objectives. In 2003, the World Bank provided \$18.5 billion US and worked in more than 100 developing countries, bringing finance and/or technical expertise toward helping them reduce poverty. South Africa, a developing country, is one of the member countries of the World Bank and has implemented a number of programmes to cater for the poor and the previously disadvantaged.

Conclusions:

This program will involve no cost to the City of Toronto and the time commitment will not be significant. It is anticipated that two South African staff will be assigned to the Auditor General's Office to assist in the conduct of various selected audits. Ongoing training will be provided by staff of the Auditor General's Office.

This particular program is very much in its infancy. The City of Toronto is the only North American city which has been approached to participate in this program. Depending on its success, the program may be expanded to other cities throughout North America.

Contact:

Jeff Griffiths, Auditor General
Tel: 416-392-8461; Fax: 416-392-3754
Jeff.Griffiths@toronto.ca

Jeffrey Griffiths
Auditor General

dl