

TORONTO STAFF REPORT

June 29, 2005

To: Audit Committee
From: Auditor General
Subject: Terms of Reference – Audit Projects

Purpose:

The purpose of this report is to provide the Audit Committee with the terms of reference for two audit projects currently in progress.

Financial Implications and Impact Statement:

There are no financial implications resulting from the receipt of this report.

Recommendation:

It is recommended that this report be received for information.

Background:

Each year, the Auditor General's Office provides a work plan to the Audit Committee summarizing audit projects to be undertaken. The audit process requires the development of a terms of reference for each project providing background, objectives and reporting timeframe for the respective assignment.

Comments:

The terms of reference for the following projects are provided as appendices to this report. It should be noted that these terms of reference have been forwarded for information purposes to senior management of the respective program area and audit work has been initiated.

1. Toronto Fire Services Division Operational Review – Toronto Fire Services
2. Management of Information Technology Assets – City Manager's Office

Conclusion:

Terms of reference for audit projects are important in providing direction and focus for the work undertaken. They also specify the background, scope and objectives of the review, as well as the expected reporting date. It is important to understand that the audit process is not restricted to those areas contained in the terms of reference.

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List of Attachments:

Appendix 1: Toronto Fire Services Division Operational Review – Toronto Fire Services
Appendix 2: Management of Information Technology Assets – City Manager’s Office

AUDITOR GENERAL'S OFFICE
TERMS OF REFERENCE

Division: Toronto Fire Services
Project Name: Toronto Fire Services Division Operational Review
Year of Audit: 2005

A. Introduction/Background

The Toronto Fire Services provides emergency response for firefighting, rescue and life support services in the City. In addition, the Toronto Fire Services delivers public education and school fire safety programs, undertakes home inspections and reviews building permit applications for compliance with relevant standards. The mandate of the Toronto Fire Services is derived from provincial legislation, i.e., the Ontario Fire Code, Ontario Building Code, Fire Protection and Prevention Act, as well as other regulations such as the Highway Traffic Act.

The Auditor General's 2005 Work Plan includes an operational review of the Toronto Fire Services. This review was selected based on criteria such as potential for City liability, the extent of expenditures, revenues and assets, and potential impact on public safety.

B. Financial/Operational Highlights

The Toronto Fire Services is comprised of four units: Operations Command, Fire Prevention and Public Education, Professional Development, Training and Mechanical Maintenance, and Staff Services and Communications. With a total of 3,142 approved positions under the Fire Chief and four Deputy Chiefs, the Toronto Fire Services operates out of 81 fire stations in four districts, four training facilities and its Headquarters complex.

The delivery of fire protection, prevention and other emergency services are supported by the use of fire vehicle apparatus, equipment, support vehicles and a fireboat. The fleet, with total estimated value of over \$1 billion, is maintained by the Mechanical Maintenance unit of the Toronto Fire Services.

Emergency crews and fire apparatus are dispatched at an emergency call centre staffed by 75 staff on a 24-hour basis.

In 2004, the Toronto Fire Services incurred gross expenditures totalling \$303 million and generated revenues totalling \$4.6 million.

C. Key Financial/Operational Issues and Controls

Cost effective deployment of fiscal resources and sound management controls are essential to support the City in delivering high quality fire protection and prevention services within budgetary constraints. Failure to comply with legislative requirements could result in increased exposure to financial and safety risks to the City and the public.

D. Audit Objectives and Scope

The objectives of this review are to:

- assess whether the Toronto Fire Services has appropriate and effective management controls to ensure delivery of services that are relevant, reliable and cost effective;
- assess the extent of compliance with applicable laws, regulations and City policies; and
- identify opportunities for cost savings and improved administrative controls.

The review will include, but not be limited to, an assessment of the following areas:

- delivery of fire prevention and public safety programs;
- repair and maintenance of vehicles and equipment; and
- internal administrative control processes over inventories, revenues, payments, purchases and expenditures.

Our review will cover the period from January 1, 2004 to June 30, 2005.

The audit methodology will include a review of policies and procedures, interviews with relevant City staff, site visits, examination of documents and records, evaluation of current management control processes, review of relevant audits and studies completed, analysis of data and any other procedures deemed appropriate.

This review will not include delivery of emergency response for firefighting, rescue and life support services, and the emergency call centre operated by the Toronto Fire Services.

E. Expected Reporting Date

Audit Committee Meeting: January 2006

AUDITOR GENERAL'S OFFICE
TERMS OF REFERENCE

Division: City Manager's Office
Project Name: Management of Information Technology Assets
Year of Audit: 2005

A. Introduction/Background

Use of information technology is critical to the City's ability to deliver the level of service expected by the taxpayer. The acquisition and management of these resources requires the cooperation of various organizational units within the City.

The Information and Technology Division has taken a leadership role in several information technology initiatives. However, its mandate and overall authority in this area is unclear. The role and degree of independence exercised by various organizational units is a constant challenge.

The Auditor General's 2005 Work Plan includes a review of the Management of Information Technology Assets for the City. This review was selected based on the potential for control risks and exposures in the management of information technology assets, the annual investment in information technology resources and the City's End of Lease and Sustainment Strategy to replace hardware and software in 2005.

B. Financial/Operational Highlights

The Information and Technology Division is responsible for overseeing and developing the overall information technology strategy for the City. Policies and procedures for the management of information technology assets are communicated to departments. Some organizational units operate on a more independent basis and perform their own short and long-term planning for managing information technology assets.

The City has, at over 500 locations, approximately 17,600 desktop computers and monitors, 2,200 notebook computers, handheld devices, 2,100 printers and 250 fax machines. Management administers over 14,000 Microsoft licences, 14,000 Novell GroupWise licences and 10,000 Oracle licences in addition to other proprietary and smaller software licence contracts.

As well, there are currently over 320 servers in the City's data centre and approximately 250 in various city locations (excluding Agencies, Boards and Commissions).

Total investment in information technology asset acquisitions, repair and maintenance contracts for 2003 and 2004 exceed \$50 million. In 2004, Council approved the Technology End of Lease and Sustainment (TELS) program.

This program involves the replacement of hardware, software and servers during 2004 and 2005 at a total cost of \$63 million. The annual replacement phase will begin in 2006. Cash flow requirements for 2006, 2007 and 2008 are projected to be approximately \$15, \$16 and \$17 million respectively.

C. Key Financial/Operational Issues and Controls

There are a number of key risks and control exposures that organizations struggle with in the area of managing information technology assets. Examples of such risks include:

- inadequate planning;
- in-efficient management of information technology resources;
- non-compliance with policies and procedures;
- inadequate standards;
- inaccurate records;
- in-efficient utilization of warranties;
- acquisition of assets at non-competitive prices or deviation from Corporate standards;
- non-uniform asset management practices; and
- under or over utilized software.

Failure to adequately address these and other risks increases the financial and operational costs to the City.

D. Audit Objectives and Scope

The objectives of this review are to:

- assess whether information technology acquisitions are properly justified, approved and acquired through a competitive process;
- evaluate if technology acquired by the City is reasonably tailored to user needs and meet Corporate standards;
- determine if information technology assets are subject to a Corporate asset management process; and
- identify opportunities for cost savings and improved administrative controls.

Audit methodology will include a review of policies and procedures, interviews with relevant City staff, site visits, physical verification of assets, examination of documents and records, evaluation of management control practices and measures, review of relevant Council, Standing Committee and audit reports and any other procedures deemed appropriate.

E. Expected Reporting Date

Audit Committee Meeting: November 2005