

Terms of Reference - Audit Project

Date:	September 5, 2007
To:	Audit Committee
From:	Jeff Griffiths, Auditor General
Wards:	All
Reference Number:	

SUMMARY

This report is to provide Audit Committee with the terms of reference for an audit project included in the 2007 Audit Work Plan.

FINANCIAL IMPACT

There is no financial impact resulting from the adoption of this report.

ISSUE BACKGROUND

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

COMMENTS

The terms of reference for our review of a project entitled "Information Technology Disaster Recovery Plan" is provided as an appendix to this report. It should be noted that the terms of reference has been forwarded for information purposes to senior management of the respective program area and audit work has been initiated.

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 should be noted that the audit process is not restricted to those areas contained in the terms of reference.

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SIGNATURE

Jeff Griffiths, Auditor General

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ATTACHMENTS

Appendix 1: Information Technology Disaster Recovery Plan

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AUDITOR GENERAL'S OFFICE
TERMS OF REFERENCE

Project Name: Information Technology Disaster Recovery Plan
Division/Board: Multi-Divisional
Year of Audit: 2007
Project Code: 06-ITD-01

A. Introduction/Background

The delivery of essential services provided by the City of Toronto is dependent upon the availability of resources including employees, facilities, utilities and automated systems. The City external auditor's 2001 Management Letter expressed concern that "the City had not yet developed a formal organization-wide recovery plan for critical systems in the event of a computer disaster." The external auditors also suggested "that a full Disaster Recovery Plan be put in place as soon as possible." A Disaster Recovery Plan is an information technology plan designed to restore a system, application or computer facility after a catastrophic event.

At the July 2003 meeting, Council directed the Auditor General to conduct a review of the City's Disaster Recovery Plan. The project was subsequently included in the Auditor General's 2004 Work Plan.

In June 2004, the Auditor General informed the Audit Committee that staff had initiated work in this area and as a result an audit of the Disaster Recovery Plan was not appropriate at that time. Instead a more appropriate and meaningful audit should be conducted upon completion of management's efforts in developing a Disaster Recovery Plan.

B. Financial/Operational Highlights

Under the City's present Information Technology governance structure, divisions are responsible for their respective Disaster Recovery Plans for applications and systems they manage outside of the City's main data centre. The City's Information and Technology Division is responsible for formulating a Disaster Recovery Plan to minimize the impact a disaster may have on the availability of computer applications and systems maintained at the City's main data centre.

In 2004, the City contracted with SunGard Availability Services to conduct a disaster recovery business impact analysis for applications and systems administered by the Information and Technology Division. The SunGard study provided a number of recommendations. Based on the results of their business impact analysis, the SunGard

analysis estimated that approximately \$14.5 million is required to implement recommendations from their report.

C. Key Financial/Operational Issues and Controls

Citizens rely on services to be available. An extended interruption in service effects customer service, management control and decision-making ability, the reputation of the City and the City's ability to comply with regulatory and legal requirements. The Ontario Comprehensive Emergency Management Program requires that the City of Toronto have a plan to deal with disasters. In order to support that plan the city must have an information technology disaster recovery plan.

The SunGard Availability Services study concluded the City would experience a negative financial impact if business units were not able to carry on operations. Estimated losses from potential regulatory, legal, operational costs and potentially delayed or lost revenues are in the range of \$5 million after 24 hours to \$158 million if the delay exceeds one month. Public and employee health and safety also become an issue in the event information technology systems supporting Toronto Public Health and Social Services fail.

D. Audit Objectives and Scope

Disaster recovery planning for large and complex organizations is a significant task. The overall question addressed by this review is "how prepared is the City in responding to a disaster causing critical computer systems to fail?"

The specific objectives of this review are to determine:

- the adequacy of current corporate governance and coordination of recovery planning efforts in the event of a disaster;
- compliance with laws, rules and regulations set forth in related legislation;
- compliance with generally accepted standards for disaster recovery planning and management established by related professional and industry organizations; and
- completeness of the City's disaster recovery plan, continuity of operation plans, and related policies and procedures.

Our audit methodology will include:

- a review of relevant legislation, policies and procedures;
- interviews with relevant staff;
- an examination of documents and records;
- review of current literature on disaster recovery practices; and
- other procedures deemed appropriate.

This audit will not include an in-depth review of disaster recovery plans for City Agencies, Boards and Commissions.

E. Expected Reporting Date

Audit Committee Meeting February 2008