

Auditor General's Office – 2008 Budget

Date:	November 2, 2007
To:	Audit Committee
From:	Jeff Griffiths, Auditor General, Auditor General's Office
Wards:	All
Reference Number:	

SUMMARY

This report provides information relating to the 2008 budget for the Auditor General's Office and a recommended budget for approval by the Audit Committee.

The Auditor General's 2008 budget request is for \$4,147,321 which is \$158,920, (4.0 per cent) greater than the Office's 2007 Council approved budget.

RECOMMENDATION

The Auditor General recommends that:

1. The Audit Committee approve the attached 2008 budget for the Auditor General's Office and forward it to the Budget Committee.

FINANCIAL IMPACT

The 2008 budget request for the Auditor General's Office is \$4,147,321 which is \$158,920 in excess of the 2007 final budget of \$3,988,401. The proposed budget contains audit fees in the amount of \$320,755 relating to the external financial audit.

2008 Budget Request	2007 Approved Budget	Increase	%
\$4,147.3	\$3,988.4	\$158.9	4.0

ISSUE BACKGROUND

In May 2002, City Council approved an independent Auditor General's Office for the City of Toronto. *The City of Toronto Act, 2006* has subsequently formalized the establishment of the Auditor General. Section 177 of the act requires that "The City shall appoint an Auditor General".

The Auditor General's Office reports directly to Council through the Audit Committee, and, as such, is independent from management. As an independent office, the Auditor General submits an annual audit work plan to the Audit Committee for review and an annual budget for review and approval.

Consequently, this budget has been forwarded directly to the Audit Committee without a detailed review by the City's Financial Planning Division. This process was approved by City Council in 2001.

Detailed information relating to the 2008 budget is contained in the attached document, entitled "Auditor General's Office – 2008 Budget".

COMMENTS

The 2008 budget request for the Auditor General's Office is \$4,147,321. The details supporting this request are contained in the attached document (Appendix 1).

The major component of the 2008 budget is salaries and benefits, which represent 96 per cent of the budget (excluding external financial audit fees).

External Audit Fees

The current 5 year contract for external audit services is ending with the audit of the December 31, 2007 financial statements. The Treasurer however, is seeking Council approval to extend the current contract for a further two years. The reasons for the proposed extension are provided in a report to the November 16, 2007 meeting of the Audit Committee. If this extension is not approved the Auditor General will issue a Request for Proposal for audit services for a five year period commencing for the year ending December 31, 2008.

The fee for the 2008 external audit will likely increase as a result of either a new five year contract or a negotiation of the extension of the current contract. The extent of any increase is unknown at the present time. On the advice of the Deputy City Manager and Chief Financial Officer the Auditor General's budget for audit fees for 2008 is provided for at the same amount as in prior years. The Auditor General's budget will be adjusted once the extent of any fee increase has been determined.

Benefits of the Audit Process to the City of Toronto

The Auditor General is responsible for evaluating City programs, activities and functions of Departments, Agencies, Boards, Commissions, and the Offices of the Mayor and Members of Council. Reviews, investigations and audits conducted by the Auditor General's Office have benefited the City of Toronto in a variety of ways.

Audit recommendations identify ways to:

- maximize City revenues or identify opportunities for new revenues or cost savings;
- manage or utilize City resources, including public funds, personnel, property, equipment and space in an economical and efficient manner; and
- identify causes of inefficiencies or uneconomical practices, including inadequacies in management information systems, internal and administrative procedures, organizational structure, use of resources, allocation of personnel, purchasing policies and equipment.

Audits assist management to:

- safeguard assets;
- check the accuracy and reliability of accounting data;
- detect unauthorized transactions and unauthorized access to assets that could result in unauthorized acquisitions, use or disposition of assets;
- ensure compliance with laws, regulations, policies, procedures, or generally accepted industry standards; and
- achieve the desired program results.

In addition, the Auditor General's Office, as one of its responsibilities, operates the Fraud and Waste Hotline Program. In regard to the operation of the Fraud and Waste Hotline Program, the Auditor General prepares an annual report on the Program. This report will be submitted to the next Audit Committee.

While certain audit reports have resulted in tangible cost savings, the more important benefits provided relate to the avoidance of future costs, as well as the protection of City assets. Nevertheless, tangible annual cost savings have occurred, or will occur, as a result of the work conducted by the Auditor General.

In a report to Audit Committee dated March 22, 2007 entitled "Auditor General's Audit Reports - Benefits to the City of Toronto – Annual Update", it was reported to the Audit Committee that the actual potential net savings (after accounting for the annual budgets of the Office) for the period 2002 to 2006 were in the range of \$56 million.

CONTACT

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SIGNATURE

Jeff Griffiths

Auditor General

ATTACHMENTS

Appendix 1 – Auditor General's Office – 2008 Budget