

2010 Audit Work Plan

Date:	November 10, 2009
To:	Audit Committee
From:	Jeff Griffiths, Auditor General
Wards:	All
Reference Number:	

SUMMARY

The purpose of this report is to provide City Council with details of the Auditor General's 2010 Audit Work Plan. The 2010 Audit Work Plan is attached as Appendix 1 and Appendix 2 to this report. Appendix 3 includes, for the information of Council, audit projects completed. Appendix 4 includes a summary of future potential audits.

The 2010 Audit Work Plan is a combination of audits in progress, new audits, annual recurring projects and investigative work carried out as a result of complaints received through the Fraud and Waste Hotline. Our 2010 Audit Work Plan also includes a formal follow-up process to ensure recommendations contained in previously issued audit reports have been implemented.

RECOMMENDATION

The Auditor General recommends that:

1. City Council receive the Auditor General's 2010 Audit Work Plan.

FINANCIAL IMPACT

The recommendation in this report has no financial impact beyond the amount provided in the Auditor General's 2010 budget request.

ISSUE BACKGROUND

Section 177 of the *City of Toronto Act* formalized the appointment of an Auditor General for the City of Toronto. Under Section 178 of the *City of Toronto Act*, the Auditor General is responsible for "assisting city council in holding itself and city administrators

accountable for the quality of stewardship over public funds and for achievement of value for money in city operations.”

On an annual basis, the Auditor General submits the proposed audit work plan for the upcoming year to City Council for information.

The Audit Work Plan as presented in this report provides City Council with an overview of how resources allocated to the Auditor General’s Office will be used during 2010.

COMMENTS

The Auditor General’s 2010 Audit Work Plan contains details of audit projects planned during the year. Some audits will not be completed during 2010, as they will commence later in the year and will not be complete until 2011.

Projects included in the 2010 Audit Work Plan provided in Appendix 1 and Appendix 2 are classified into the following six categories:

1. Audits in Progress and New Audit Projects
2. Follow-up on Outstanding Audit Recommendations
3. Investigations Related to Allegations of Fraud or Other Wrongdoing
4. External Audit Coordination
5. Reports Requested by City Council
6. Other Projects

CONCLUSION

The Audit Work Plan is intended to be flexible and may be amended by the Auditor General as required. The bylaw establishing the Auditor General’s Office provides that “no deletions or amendments to the annual audit plan shall be made except by the Auditor General, however, Council may add to the annual audit plan by a two-third’s majority vote.” The 2010 Audit Work Plan provides a balance of audit work that will result in improving overall City operations by strengthening management controls, improving accountability and enhancing the efficiency and effectiveness of municipal services.

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SIGNATURE

Jeffrey Griffiths, Auditor General

08-AAS-02

ATTACHMENTS

- Appendix 1: Auditor General's 2010 Audit Work Plan – Summary
- Appendix 2: Auditor General's 2010 Audit Work Plan – Audits in Progress and New Audit Projects
- Appendix 3: Auditor General's Office, Previous Audit Reports Issued
- Appendix 4: Auditor General's Office, Future Potential Audits

AUDITOR GENERAL'S 2010 AUDIT WORK PLAN - SUMMARY

The Auditor General's 2010 Audit Work Plan contains details of audit projects planned during the year. Certain of these projects will not be completed during 2010 due to the fact that they commence late in 2001 and consequently will not be finalized until 2011.

The projects included in the 2010 Audit Work Plan are classified into six categories as follows:

1. Audits in Progress and New Audit Projects
2. Follow-up on Outstanding Audit Recommendations
3. Investigations Related to Allegations of Fraud or Other Wrongdoing
4. External Audit Coordination
5. Reports Requested by City Council
6. Other Projects

1. Audits in Progress and New Audit Projects

The Selection of Audit Projects – Audit Risk Assessment

Appendix 2 provides a listing and brief description of audits in progress and new audit projects anticipated for 2010. In order to assess the relative importance of potential audit areas and to objectively develop an audit work plan, the Auditor General has relied on a formal detailed risk assessment exercise completed during 2009. The risk assessment process is a quantitative approach to prioritizing City risks, exposures and liabilities. The selection of audit projects through a detailed risk assessment process is a best practice.

The Auditor General also recently completed a comprehensive risk assessment for City Agencies, Boards and Commissions.

The audit projects undertaken in any year is dependent on:

- approval of the Auditor General's budget as submitted
- the extent of fraud investigations required during the year
- the extent of work performed by other internal audit functions
- the number of special requests approved by City Council
- other issues which may emerge during the year.

2. Follow-up on Outstanding Audit Recommendations

Follow-up on outstanding audit recommendations from previous audit reports is important to ensure management has taken appropriate action to implement recommendations included in those reports. Furthermore, in order to comply with

Government Auditing Standards the Auditor General is required to follow-up on the implementation status of recommendations from previous audit reports.

In 2005, the Auditor General's Office implemented an annual follow-up process and has reported to the Audit Committee annually on the implementation status of outstanding recommendations included in previous audit reports. The next follow-up report to Audit Committee is scheduled for July 2010.

3. Investigations Related to Allegations of Fraud or Other Potential Abuse

Fraud or other wrongdoing is identified by the Auditor General's Office as a result of ongoing audit work, notification by management or through the Fraud and Waste Hotline.

The investigation of fraud or other potential abuse is a high priority. The number and complexity of reported allegations and complaints vary each year. It is difficult to predict the extent of investigative work that will be required during 2010.

4. External Audit Coordination

The Auditor General's responsibilities in this area include the management, coordination and oversight of the external attest audits of the City, its Agencies, Boards and Commissions, the Boards of Management of Community Centres and Committees of Management for Arenas.

The Audit Work Plan includes an allocation of resources for the selection of the external auditors for the City's and its major Agencies, Boards and Commissions. The current two-year contract extension for external audit services will expire with the completion of the 2009 financial statement audit. The request for proposal for external audit services for audits from 2010 to 2014 for the City and its major ABCs was issued on November 3rd and will close on December 1, 2009. The results of the request for proposal will be reported to the Audit Committee early in 2010.

The external auditors for the City Arenas, Community Centres and Miscellaneous Entities (Heritage Toronto, Yonge-Dundas Square, the Toronto Atmospheric Fund and the Clean Air Partnership), for the years 2008 to 2012, were approved by City Council in May 2008.

5. Reports Requested by City Council

City Council may request the Auditor General to conduct reviews on areas of concern. City Council has previously requested the Auditor General to consider performing a review of the issuance of City sole source contracts. This review was included in our 2008 Audit Work Plan and reported in 2009.

6. Other Projects

The Auditor General is in the process of developing a program known as continuous controls monitoring. In very simple terms, the program will identify on an ongoing basis, using specific data extraction software, transactions which are unusual. These transactions will then be subject to a detailed follow up process.

**AUDITOR GENERAL'S 2010 AUDIT WORK PLAN –
AUDITS IN PROGRESS AND NEW AUDIT PROJECTS**

1. AUDITS IN PROGRESS

Audit Projects	Project Description
Insurance and Risk Management	<p>The purpose of this review is to determine whether or not major City risks are adequately insured and that insurance and risk management processes are efficient and effective.</p> <p>This audit is complete and will be tabled at the February 2010 Audit Committee meeting.</p>
Toronto Zoo Construction Contracts Review – Tundra Project	<p>The purpose of this review is to assess the adequacy of controls in tendering, award and management of construction contracts. The review focused on the construction and consulting contracts related to the Tundra Project.</p> <p>The project is complete and will be tabled at the Board of Management of the Toronto Zoo and will be tabled at the February 2010 Audit Committee meeting.</p>
Mobile and Remote Wireless Environment	<p>The purpose of this audit was to evaluate the City's wireless telecommunication strategy, related infrastructure and security standards.</p> <p>This audit will be tabled at the February 2010 Audit Committee meeting.</p>
Review of Major City Revenue Streams	<p>The review of parking tags revenues is complete and will be tabled at the February 2010 Audit Committee meeting.</p> <p>Further, a review of Ferry Services revenue is underway and will be completed during the first half of 2010.</p>

Audit Projects	Project Description
Accounts Receivable	<p>The purpose of this review is to ensure that the City's accounts receivable controls, billing and collection processes are effective.</p> <p>This review is in its early stages and will be completed by the first quarter of 2010.</p>
Follow-up Review on the Investigation of Sexual Assaults – Toronto Police Service	<p>The purpose of this review is to determine the status of recommendations made in the Auditor General's 1999 report entitled, "Review of the Investigation of Sexual Assaults – Toronto Police Service" and additional recommendations made in the Auditor General's 2004 report entitled "The Auditor General's Follow-up Review on the October 1999 Report Entitled: Review of the Investigation of Sexual Assaults – Toronto Police Service."</p> <p>This audit is underway and will be completed during the first half of 2010.</p>
Development Funds Review – Section 37, 45 and 42 of the Planning Act	<p>This audit includes a review of controls related to the management of certain funds received under various provisions of the Planning Act.</p> <p>This audit is underway and will be completed during the first half of 2010.</p>
Construction Contracts Review – City Contracts	<p>This review will focus on the adequacy of controls in tendering, award and management of construction contracts. Contract payments and supporting documents for selected contracts will be reviewed for accuracy and compliance with policies, procedures and contract terms and conditions.</p> <p>This audit is underway and will be completed during the first half of 2010.</p>

Audit Projects	Project Description
SAP Competency Centre Review – Service Delivery and Effectiveness	<p>This is a review of the effectiveness of the City’s SAP Competency Centre. The review will include an evaluation of SAP implementation, identifying best practices, effectiveness in enforcing SAP corporate standards for information systems development, maintenance and use, and the role played by the Centre in assisting SAP implementation at the City’s Agencies, Boards and Commissions.</p> <p>This review is in its preliminary stage.</p>
New Sources of Revenue – Land Transfer Tax	<p>This is a review of administrative controls relating to municipal land transfer tax.</p> <p>This audit is underway and will be completed during the first half of 2010.</p>
Follow-up on “Review of Police Training – Opportunities for Improvement, Toronto Police Service”	<p>The purpose of this review is to determine the status of recommendations made in the Auditor General’s January 2007 report entitled, “Review of Police Training – Opportunities for Improvement, Toronto Police Service”.</p> <p>This audit is underway and will be completed during the first half of 2010.</p>
Development of a System for Continuous Controls Monitoring Reports	<p>The purpose of this project is to develop certain key control monitoring and exception reports using data extraction and analysis tools. These reports will be used by the Auditor General in identifying significant emerging trends, and preventing and detecting fraud, and control risks and exposures.</p> <p>This project is underway and the process will be implemented for one pilot area during the first half of 2010.</p>

2. NEW AUDIT PROJECTS

The specific scope and terms of reference for these projects have to be finalized.

Audit Project	Project Description
Review of controls in projects funded through stimulus funding by federal and provincial governments	<p>Through Canada's Economic Action Plan, the federal government has established a \$4 billion Infrastructure Stimulus Fund that provides funding to provincial, territorial and municipal infrastructure rehabilitation projects.</p> <p>The City is receiving significant stimulus funding from provincial and federal governments for over 500 infrastructure improvement projects. Stimulus funding is also provided for creation of 4,500 new affordable housing rental units.</p> <p>This review will focus on controls relating to stimulus funding expenditures.</p>
Review of adequacy of controls in Toronto Community Housing Corporation's management and award of contracts, use of sole source vendors and use of purchasing cards (PCards)	<p>Toronto Community Housing is the largest social housing provider in Canada. It is home to about 164,000 low and moderate-income tenants in 58,500 households. It has an operating budget of over \$500 million and capital expenditure of \$140 million. The review will likely focus on policies, procedures and controls on:</p> <ul style="list-style-type: none"> • Management and award of contracts • Use of sole source vendors • Use of purchasing cards (PCards)
Software License Compliance Review	<p>This review will focus on validating licenses of software used within the City. The review will also include an assessment of utilization and controls on compliance with software license agreements.</p>
Review of Transportation Services' winter outsourced contracts for snow ploughing, sand and salt contracts	<p>The total of outsourced contracts for snow clearing exceeds \$62 million. This review will include how contracts are awarded, managed and evaluated.</p>

Audit Project	Project Description
Review of Major City Revenue Streams	<p>The objective of this review is to ensure that adequate controls exist in billing for goods and services provided by the City, collecting revenues, and ensuring that billing and collections are recorded and accounted for in a timely manner.</p> <p>This is an ongoing review which has already included Parking Tag and Ferry Services revenue.</p> <p>The revenue stream to be examined will be selected during the year.</p>
Review of the Toronto Transit Commission's Access, Equity and Human Rights policies, procedures and implementation	While the scope of this project is undetermined at the moment, it will likely focus on the processes in place to determine the effectiveness of the TTC's equity and diversity plans.
Construction Contracts Review – one or more Agencies, Boards, and Commissions	This review will focus on the adequacy of controls in the tendering, award and management of construction contracts at selected City Agencies, Boards and Commissions. Contract payments and supporting documents for selected contracts will be reviewed for accuracy and compliance with policies and procedures, contract terms and conditions.
Review of City's Environmental Grant and Loan Programs	This review will focus on assessing the adequacy of controls and efficiency and effectiveness of the City's grant and loan programs to support climate change, clean air, sustainable energy and other environmental initiatives.
Operational review of Toronto Building inspection process	Toronto Building carries out over 150,000 inspections in a year. This review will focus on operational controls.

Audit Project	Project Description
Review of billing and collection of building permit fees, zoning bylaws and maps, copies of plans and street damage deposits	Toronto Building collects \$53 million for building permit fees, zoning bylaws and maps, copies of plans and street damage deposits. \$15 million is collected in cash. This review will focus on adequacy of controls in the collection processes.
Review of Lake Water Cooling Contract	This audit will include review of the effectiveness of the City's agreement with Enwave.
Follow-up on Outstanding Recommendations from Previous Audit Reports	This project relates to our annual review of the implementation status of outstanding audit recommendations from previous audit reports issued to the City and its Agencies, Boards and Commissions.
Review of red light camera operation	This audit will include a review of the effectiveness of Red Light camera operation and procedures relating to billing and collection of violations.
Review of inventory controls at Transportation Services storage warehouses	Transportation service division has three major ware houses holding inventory of electrical and construction items. Our review will include an evaluation of the adequacy of controls in managing these warehouses.
Review of revenue controls at Canadian National Exhibition	<p>This review will focus on assessing the adequacy of revenue controls relating to the Canadian National Exhibition.</p> <p>This review will be coordinated with the Internal Audit Division of the City Manager's Office.</p>
Operational review of landfill site operations	The City maintains over 190 closed landfill sites. The revenue of \$1.5 million is generated from these sites. This review will focus on operation of selected landfill sites and revenue billing and collection process.

Audit Project	Project Description
Review of compliance and enforcement of City Bylaws relating to encroachment	To review enforcement practices and collection of revenue on residential and commercial encroachments.
Review of Animal Services Division	This review will include an evaluation of various controls. The results of this high level evaluation will determine the extent of further work.

AUDITOR GENERAL'S OFFICE
PREVIOUS AUDIT REPORTS ISSUED

The following is a representative listing of audit projects completed in order to address audit risks identified. In addition to the work plan developed by the Auditor General, additional audit work or special reviews were conducted in response to emerging issues. Certain of these reviews were requested by City Council.

City Audit Reports – 2009:

- City Purchasing Card (PCard) Program – Improving Controls Before Expanding the Program
- Effectively Managing the Recruitment of Non-Union Employees in the Toronto Public Sector
- Payment of Utility Charges
- Review of Information Technology Training
- Process for Non-Competitive (Sole Source) Needs Improvement
- Review of Disposal of Surplus IT Equipment – Security, Environmental and Financial Risks
- Special Purpose Audit to Determine Compliance with Section 169-30.5 of the City of Toronto's Municipal Code
- Parks, Forestry and Recreation - Capital Program - the Backlog in Needed Repairs Continues to Grow
- 2008 Annual Report – Fraud and Waste Hotline
- Review of Management and Oversight of the Integrated Business Management System (IBMS)

Agencies, Boards and Commissions – Audit Reports – 2009:

- Toronto Parking Authority Pay and Display Parking Operations - Review of Revenue, Expenditure and Procurement Practices
- Toronto Zoo Construction Contracts Review – Tundra Project

City Audit Reports – Prior years:

- Maintenance and Administrative Controls Review – Facilities and Real Estate
- Fleet Operations Review
- Payroll Processing Reviews
- Procurement Process Review
- Corporate Absenteeism Reviews
- Social Services Overpayment Reviews
- Emergency Medical Services – Operational Review
- Hostel Operations Review
- Administration of City Grants Review

- Review of Parking Enforcement
- Review of Day Care Fees and Subsidies
- Various Cash Control Reviews
- Receivables Review – Various Divisions
- Investment Policy Compliance Reviews
- Review of Reserves and Reserve Funds Administration
- Treasury Services Review
- Access and Equity Reviews
- Telecommunication Services Review
- Management of City Information Technology Assets
- Review of the Administration of Leases on City-Owned Properties
- Improving the Procurement Process – Unbalanced Bids
- Fire Services Operational Review
- Solid Waste Tipping Fees Reviews
- Solid Waste Management Services – Review of Major Contracts
- Various Contract Compliance Reviews
- Departmental Purchase Order Reviews
- Homes-for-the-Aged – Residents Fees and Trust Funds Review
- Fair Wage Policy Review
- Sick Leave Liability Review
- CLASS Recreation Registration and Permitting System Information Technology Review
- Review of Food Safety Program – Toronto Public Health
- Review of Radio Communications – Toronto Fire Services
- Review of Corporate Charges – Toronto Public Health
- Various Petty Cash Reviews – All Divisions
- Use of Long-Term Consultants Review
- Bank Reconciliation and Bank Deposits Review
- Emergency Medical Services – Scheduling Review
- Fleet Emissions Testing Review
- Pandemic Preparedness Review
- Committee of Adjustment Review
- Permits and Lottery Licences Review
- Hostel Vacancy and Bed Rates Review
- Election Compliance Review
- Councillor and Staff Expenses Review
- Works Best Practices Review
- Review of Chemical Procurement – Competition Bureau Issues
- Building Division Review
- Novell Netware Networks Security Assessment Review
- Commercial Garbage Collection Review
- Corporate Variance Reporting Review
- Information Technology – Contract Extensions Review
- Windows NT Security Review
- Internet Usage Review
- Water Quality Review

- Review of Wastewater Treatment Program
- Oracle Database Software Acquisition Reviews
- Oracle Database Review – Security Controls and Other Users
- Telephone System Selection – Forensic Review
- Outstanding Receivables – Their Impact on the Tax Levy Review
- SAP Financial and Human Resources/Payroll Information Systems – Post Implementation Review
- Toronto Maintenance Management System Application Review
- Various Reports Relating to the Review of the Contract with MFP
- Review of the Acquisition of Councillor Computer Equipment
- Forensic Review relating to services provided by certain US based Consultants
- Review of the City’s Disaster Recovery Plan
- Review of Year 2000 Expenditures
- Management Controls – A Basic Departmental Responsibility
- Employee Benefits Review
- Migration of SAP to the Agencies, Boards and Commissions Review
- Review of City’s Construction Contracts
- Review of Toronto Water Works and Emergency Services Contracts
- Review of Certain Affordable Housing Projects
- Property Tax Appeals and Refund Processing

Agencies, Boards and Commissions Audit Reports – Prior Years:

- Court Services – Operational Review – Toronto Police Service
- Review of Various Towing Contracts – Toronto Police Service
- Review of Overtime – Toronto Police Service
- Review of Police Training – Toronto Police Service
- Review of Radio Communications – Toronto Police Service
- Parking Tag Operations Review – Toronto Police Service
- Information Technology Review – Metropolis – Toronto Police Service
- Review of the Investigation of Sexual Assaults – Toronto Police Service
- Review of the Public Complaints Process – Toronto Police Service
- Revenue Controls Review – Toronto Police Service
- Enterprise Case and Occurrence Processing System (eCops) Review – Toronto Police Service
- Vehicle Replacement Policy – Toronto Police Service
- Air Service Unit Pilot Project Evaluation – Toronto Police Service
- Courtesy Envelopes Review – Toronto Parking Authority
- Administrative Controls Review – Toronto Parking Authority
- Thefts from Parking Meters Review – Toronto Parking Authority
- Review of Year-End Spending and Use of Consultants – Toronto Public Library
- Fines and Income Review – Toronto Public Library
- The Management of Information Technology Projects – Toronto Transit Commission
- Sheppard Subway – Project Cost Overruns – Toronto Transit Commission
- Tendering of Contracts – Toronto Zoo

- Animal Transaction Policies Procedures and Practices Review – Toronto Zoo
- Cash Controls Review – Toronto Zoo
- Toronto Atmospheric Funds – Grants Review

**AUDITOR GENERAL'S OFFICE
FUTURE POTENTIAL AUDITS**

The following projects represent audits planned for future years. Specific details and audit scope will be determined during the planning of each audit.

- Hostel Services – controls over purchase of service contracts
- Transportation Services – roads maintenance contract management
- Toronto Water – contract management, major infrastructure projects
- Information Technology – review of asset management
- Information Technology – review of access controls
- Toronto Transit Commission – review of payroll processing
- Toronto Transit Commission – in consultation with TTC internal audit, review of major construction contracts
- Toronto Transit Commission – review of Wheel Trans contracts
- Toronto Public Library – review of the integrated library management system
- Transportation Services – review of the maintenance of traffic control contract
- Social Housing – review of application/subsidy process
- Information Technology – review of various projects including the use of consultants
- Solid Waste Management – review of various contracts
- Payroll processing including controls over overtime – various City divisions

In addition, there is a need to revisit audit projects completed to date in order to determine whether or not these areas should be subject to a follow-up review.