



AUDITOR GENERAL'S REPORT ACTION REQUIRED

2013 Audit Work Plan

Date:	October 10, 2012
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

The purpose of this report is to provide City Council with details of the Auditor General's 2013 Audit Work Plan. The 2013 Audit Work Plan is attached as Appendix 1 to this report. Appendix 2 includes a summary of future potential audits. Appendix 3 includes audits completed during the period 2007 to 2012.

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 2013.

The 2013 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. The Audit Work Plan also includes a formal follow-up review to ensure recommendations contained in previously issued audit and investigative reports have been implemented.

The 2013 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.

RECOMMENDATION

The Auditor General recommends that:

1. City Council receive the Auditor General's 2013 Audit Work Plan.

Financial Impact

The recommendation in this report has no financial impact beyond the amount provided in the Auditor General's 2013 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 an audit work plan for the upcoming year to City Council for information. Each year, the Auditor General also provides the Audit Committee with a report that identifies the extent of quantifiable financial benefits resulting from the work conducted by the Auditor General's Office. Historically, for every \$1 invested in the Auditor General's Office the return on this investment has been \$10. Many of the estimated cost savings are ongoing and occur on an annual basis. The 2012 financial benefits report will be tabled at the first Audit Committee meeting of 2013.

The Audit Work Plan is intended to be flexible and may be amended by the Auditor General as required. The by-law 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."

Audit projects undertaken in any given year depend on the following considerations:

- availability of adequate resources through approval of the Auditor General's budget
- 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.

COMMENTS

The Auditor General's 2013 Audit Work Plan contains details of audit projects planned for the year. Certain of these projects will not be completed in 2013 due to the fact that they will commence late in 2013 and consequently will not be finalized until 2014. The projects included in the 2013 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. Investigative Work Related to Allegations of Fraud or Other Wrongdoing
4. External Audit Coordination
5. Reports Requested by City Council or by Agencies or Corporations
6. Other Projects

1. Audits in Progress and New Audit Projects

Every five years, the Auditor General performs a detailed risk assessment of the operations of the City and those Agencies and Corporations included in his mandate. The risk assessment process is a quantitative approach to prioritizing City risks, exposures and liabilities. Such a process allows the Auditor General to objectively develop an audit work plan. The last risk assessment was completed in 2009. There were 56 high risk areas identified during the risk assessment. So far, we have completed our review on over 50 per cent of high risk areas identified. Our plan is to complete reviews in most of the high risk areas by the end of 2014.

Appendix 1 provides a listing and brief description of audits in progress and new audit projects anticipated for 2013.

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. Recommendation follow-up is also required by Government Auditing Standards.

The Auditor General reports to Audit Committee annually on the implementation status of outstanding recommendations included in previous audit reports. The results of our last follow-up on City divisions, Agencies and Corporations, and Forensic Unit recommendations are available at:

<http://www1.toronto.ca/wps/portal/toronto/landing?vgnextoid=0428aac904140310VgnVCM1000003dd60f89RCRD>

The next follow-up report to Audit Committee will be presented in July 2013.

3. Investigative Work Related to Allegations of Fraud or Other Wrongdoing

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

Investigative work related to fraud or other wrongdoing 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 2013.

4. External Audit Coordination

The Auditor General's responsibilities include the management, coordination and oversight of the external financial audits of the City, its Agencies and Corporations, the Boards of Management of Community Centres and Committees of Management for Arenas.

The existing five-year contract for external audit services for the audit of the City and its major Agencies and Corporations will expire in 2014. The contract for the external audit of the City Arenas, Community Centres and other Miscellaneous Entities (Heritage Toronto, Yonge-Dundas Square, the Toronto Atmospheric Fund and the Clean Air Partnership), will end with the completion of the 2012 audit. A request for proposal for the period 2013 to 2017 was issued in July 2012. We have completed the evaluation of the proposals received and a report with our recommendation is being submitted to the October 25, 2012 Audit Committee meeting.

5. Reports Requested by City Council or by Agencies and Corporations

City Council may request the Auditor General to conduct reviews on areas of concern. City Council has previously requested the Auditor General to conduct reviews of City sole source contracts and the filing of election financial statements by members of City Council. In addition, the Toronto Police Services Board has, in the past, requested a review of the Toronto Police Service Integrated Records and Information System. The requested reviews were included in previous Audit Work Plans.

More recently, the Toronto Police Services Board has requested a review of police collection of demographic data. This review will be added to our 2013 Audit Work Plan.

6. Other Projects

Continuous Controls Monitoring

The Auditor General has developed and implemented a program known as continuous controls monitoring. In simple terms, specialized data extraction software is used to identify, on an ongoing basis, transactions which are unusual based on pre-defined criteria. The City's payroll information was selected as the first project for this process. The Auditor General's Office has now extended this process to TTC and has further plans to implement continuous controls monitoring to other areas, such as, purchasing, accounts payable and revenues.

CONTACT

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SIGNATURE

Jeff Griffiths, Auditor General

10-AAS-02

ATTACHMENTS

Appendix 1: Auditor General's 2013 Audit Work Plan – Audits in Progress and New Audit Projects

Appendix 2: Auditor General's Office, Future Potential Audits

Appendix 3: Auditor General's Office, Audit Reports 2007 – 2012

**AUDITOR GENERAL'S 2013 AUDIT WORK PLAN –
AUDITS IN PROGRESS AND NEW AUDIT PROJECTS**

1. AUDITS IN PROGRESS

The following audit reports are near completion and will be submitted to Audit Committee early in 2013:

- Operational Review of Municipal Licensing and Standards Investigation Services
- Review of Community Partnership and Investment Program
- Audit of Accounts payable
- Toronto Transit Commission - Operational Review of Wheel Trans

The following reviews commenced late in 2012 and are still in progress. They will be completed during 2013:

Audit Projects	Project Description
Operational review of Toronto Building inspection process	This review will focus on operational controls of Toronto Building's inspection process.
Operational Review of Children Services	The scope of the audit will likely include the eligibility approval process.
Review of efficiency and effectiveness of Service Agreements at Employment and Social Services Division	Review of the contracts with various service providers and monitoring of related performance.
Operational Review of Facilities & Real Estate - Appraisal services unit.	This will include review of policies, procedures and practices used in providing appraisal reviews on development projects, sale of surplus land and City property.
Review of Construction Contracts - City Divisions and/or Agencies and Corporations	This audit will focus on selected construction contracts and will review contract award, monitoring, payment and contract completion process.
Operational review of Fire Services Division	This review will focus on Fire Services fleet acquisition, utilization and maintenance.
Transportation Services - Summer Road Maintenance	Transportation services undertake major construction and renovation projects. This audit will focus on selected contracts and will review contract award, monitoring, payment and contract completion process. Our review will also include cost of utility cuts and third party recoveries where appropriate.

2. NEW AUDIT PROJECTS

New audit projects planned for 2013 are provided in the table below.

Audit Project	Project Description
Operational Review of Fleet Services	The purpose of the review is to ensure that the City's fleet is managed with due regard for value for money.
PAN-AM Games - Review of Controls on Management of Capital Projects	The objective of this review is to assess the effectiveness of practices implemented to ensure that adequate oversight, internal control, performance measurement and reporting systems are in place to support the management and administration of capital projects related to the Pan-American Games.
Post-implementation Audit of Awarded Garbage Collection Contract	City Council in 2011 requested the Auditor General to consider conducting a post implementation review of the garbage collection contract in order to evaluate whether or not customer service targets were met and savings were achieved. This review will take place towards the latter part of 2013.
Review of City's Telecommunications Expenses and Controls	The objective of this review is to assess internal controls over the City's voice and data services payments and management practices related to telecommunication service contracts.
Use of Professional Services by the City (Exclude Legal Services)	2011 professional services expenses were in the range of \$146 million. The purpose of the review is to ensure that professional services are appropriately managed.
Legal Services - Review of Controls of Outsourced Professional Services	The review will include an analysis and evaluation of expenditures pertaining to external legal services
Review of IT Help Desk Support Operations	The review will focus on the management and control of desktop and software support with due regard for value for money
Review of Controls on Social Housing Provider Subsidies	The review will assess the effectiveness of controls and monitoring of subsidies provided to social housing providers, (excluding Toronto Community Housing Corporation).

Audit Project	Project Description
Review of EMS Operational controls over Payroll and Scheduling	There have been a number of complaints involving payroll variances received through the Fraud and Waste Hotline Program. The purpose of this audit is to assess the effectiveness of controls and monitoring over payroll processes to ensure payments to employees are accurate, complete and authorized. The adjustments required, if any, are made on a timely basis.
Management of Construction Warranties	The objective of this review is to assess processes and controls regarding construction deficiencies identified during the warranty period to ensure the City is not charged for work covered under a warranty.
Operational Review of Build Toronto	The audit of Build Toronto was requested by Budget Committee. The extent of the review, if any, has not been determined yet.
Operational Review of Invest Toronto	The audit of Invest Toronto was requested by Budget Committee. The extent of the review, if any, has not been determined yet.
Review of Controls on City Fleets' Fuel Usage	The review will implement continuous controls monitoring over appropriate aspects of fleet operations. Specific issues will be determined following a more detailed analysis. Items under consideration include fuel usage, maintenance costs and vehicle utilization.
Review of Absenteeism for Management and Non-Union staff	This review will document and analyse changes in management and non-union absenteeism since the full implementation of the short term disability plan in 2008.
TTC Bus Fleet Maintenance	The review of TTC bus maintenance will include an evaluation as to whether or not the fleet is being managed appropriately and in accordance with best practices.
Toronto Police Collection of Demographic Data	The project was requested by the Police Services Board. The Auditor General was requested to review and analyze police statistics to establish baseline data showing the pattern of contacts between the police and members of the community

Audit Project	Project Description
Follow-up on Outstanding Recommendations from Previous Audit Reports	This is the Auditor General's annual review of the implementation status of outstanding audit recommendations from previous audit reports issued to the City and its Agencies and Corporations.
Continuous Controls Monitoring Reports	The purpose of this project is to develop certain key control monitoring reports using data analysis tools to identify significant emerging trends, and to prevent and detect fraud. We plan to extend the project to major Agencies and Corporations.

**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.

- Toronto Transit Commission – review of payroll processing
- Toronto Transit Commission – review of major construction contracts
- Toronto Transit Commission – management of information technology projects
- Operational review of Long Term Care Homes
- Operation of Pelletize Plant at Ash bridges Bay Wastewater Treatment Plant
- Hostel Services – controls over purchase of service contracts
- Toronto Water – contract management, major infrastructure projects
- Information Technology – review of asset management
- Information Technology – review of access controls
- Transportation Services – review of the maintenance of traffic control operations
- Review of Affordable Housing Projects
- Information Technology – review of various projects including the use of consultants
- Purchasing Review
- Long Term Disability Benefits and Sick Leave review
- Review of Divisional Purchase Orders (DPO's)

**AUDITOR GENERAL'S OFFICE
AUDIT REPORTS ISSUED
2007-2012**

- Auditor General's Office - Annual Status Reports on Outstanding Audit Recommendations for City Divisions
- Auditor General's Office - Status Reports on Outstanding Audit Recommendations for City Agencies, Boards, Commissions and Corporations
- Auditor General's Office - Forensic Unit, Annual Status Reports on Outstanding Recommendations
- Auditor General's Office - Annual Reports on Fraud Including the Operations of the Fraud and Waste Hotline
- Toronto Transit Commission Employees Overtime and Related Expenses - Continuous Controls Monitoring - July 12, 2012
- Procurement of 311 Toronto's Information Technology System - Lessons for Future Procurement Processes - June 13, 2012
- Improving Reporting and Monitoring of Employee Benefits - June 12, 2012
- Review of Reporting on Use of Consultants - May 31, 2012
- Inventory Controls Over Traffic Control Devices in Transportation Services Need to be Improved - April 25, 2012
- Review of the Management of the City's Divisional Accounts Receivable - April 12, 2012
- Review of the Energy Retrofit Program at Community Centres and Arenas - March 26, 2012
- Front Yard and Boulevard Parking - Improvements Needed to Enhance Program Effectiveness - February 7, 201
- Toronto Community Housing Corporation Fleet Management - Lack of Oversight Has Led to Control Deficiencies - February 6, 2012
- Toronto Community Housing Corporation - The City and Toronto Community Housing Corporation Needs to Strengthen its Oversight of Subsidiaries and Other Business Interests - February 2, 2012
- Continuous Controls Monitoring - Review of Employee Overtime and Mileage Reimbursements - February 7, 2012
- Review of Coordinated Street Furniture Contract - Public Realm Section, Transportation Services Division - February 3, 2012
- Review of Controls Over Procurement and Payment Functions at TCHC Subsidiary: Housing Services Inc. - February 2, 2012

- Toronto Building Division - Building Permit Fees, Improving Controls and Reporting - January 23, 2012
- Annual Reports Requested by the Audit Committee - Demonstrating the Value of the Auditor General's Office
- 311 Toronto - Full Potential For Improving Customer Service Has Yet To Be Realized - October 17, 2011
- The Deep Lake Water Cooling Project - Total City Costs and Benefits Need to Be Reported - October 10, 2011
- Toronto Animal Services - Licence Compliance Targets Need To Be More Aggressive - October 5, 2011
- Review of Infrastructure Stimulus Funding - Opportunities Exist to Improve Controls over Construction Projects - October 5, 2011
- Toronto Police Service, Parking Enforcement Review - October 3, 2011
- Remote Access to the City's Computer Network - The Management of the Process Requires Improvement - September 8, 2011
- Toronto Police Service - Review of Integrated Records and Information System - August 26, 2011
- Red Light Camera Program - August 25, 2011
- Disposal of Digital Photocopiers - Protection of Sensitive and Confidential Data Needs Strengthening - June 16, 2011
- Transportation Services - Review of Winter Maintenance Services - April 26, 2011
- City Planning Division - Community Benefits Secured Under Section 37 or 45 of the Planning Act - March 31, 2011
- Toronto Police Service, Police Paid Duty - Balancing Cost Effectiveness and Public Safety - March 23, 2011
- Facilities Management Division Energy Efficiency Office - Management of Energy Loans and Grants Funded by the Ontario Power Authority - March 4, 2011
- Toronto Community Housing Corporation - Controls Over Employee Expenses Are Ineffective - February 25, 2011
- Toronto Community Housing Corporation - Procurement Policies and Procedures Are Not Being Followed - February 25, 2011
- Review of the Management and Funding for Inactive Landfill Sites - February 3, 2011
- Parks, Forestry and Recreation Division - Concession Agreements Review - January 19, 2011
- Toronto Environment Office - Review of Administration of Environmental Grants - January 17, 2011

- Governance and Management of City Computer Software Needs Improvement - January 7, 2011
- Administration of Development Funds, Parkland Levies and Education Development Charges - June 16, 2010
- Administration of Municipal Land Transfer Tax, Revenue Services Division - June 16, 2010
- Review of the City SAP Competency Centre - June 15, 2010
- Police Training, Opportunities for Improvement, Toronto Police Service - Follow-up Review - June 1, 2010
- Management of Capital Project 129 Peter Street – Shelter, Support and Housing Administration, Facilities Management and Real Estate Divisions - May 31, 2010
- Parks, Forestry and Recreation - Review of Internal Controls at the East York Curling Club - April 27, 2010
- Insurance and Risk Management - April 26, 2010
- Parks, Forestry and Recreation Division - Controls Over Ferry Service Revenue Need Strengthening - April 26, 2010
- Governance and Management of City Wireless Technology Needs Improvement - April 20, 2010
- The Review of the Investigation of Sexual Assaults – A Decade Later, Toronto Police Service - April 14, 2010
- The Auditor General's Second Follow-up Review on the Police Investigation of Sexual Assaults - April 9, 2010
- Toronto Zoo Construction Contracts Review – Tundra Project - March 29, 2010
- Controls Over Parking Tags Needs Strengthening - January 27, 2010
- Payment of Utility Charges - November 12, 2009
- Review of Information Technology Training - November 5, 2009
- City Purchasing Card (PCard) Program - Improving Controls Before Expanding the Program - October 27, 2009
- Effectively Managing the Recruitment of Non-Union Employees in the Toronto Public Service - June 19, 2009
- Process for Non-Competitive Procurement (Sole Sourcing) Needs Improvement - May 22, 2009
- Toronto Parking Authority Pay and Display Parking Operations - Review of Revenue, Expenditures and Procurement Practices - May 15, 2009
- Review of Disposal of Surplus IT Equipment - Security, Environmental and Financial Risks - May 4, 2009

- Parks, Forestry and Recreation - Capital Program - The Backlog in Needed Repairs Continues to Grow - January 23, 2009
- Review of Management and Oversight of the Integrated Business Management System (IBMS) - January 16, 2009
- Managing Employee Attendance - October 15, 2008
- Audit of City Performance in Achieving Access, Equity and Human Rights Goals - October 14, 2008
- Protecting Water Quality and Preventing Pollution - Assessing the Effectiveness of the City's Sewer Use By-Law, Toronto Water - October 10, 2008
- Follow-Up Audit on the Review of the Investigation of Sexual Assaults - Toronto Police Service - September 29, 2008
- Fleet Review - Toronto Police Service - September 26, 2008
- Review of Court Services, Toronto Police Service - June 12, 2008
- Review of Affordable Housing Project at 2350 Finch Avenue West - May 28, 2008
- Managing the Risk of Overpayments in the Administration of Social Assistance, Toronto Social Services - May 13, 2008
- Disaster Recovery Planning for City Computer Facilities - April 3, 2008
- The Management of Information Technology Projects - Opportunities for Improvement, Toronto Transit Commission - January 14, 2008
- Review of City of Toronto Pandemic Planning and Preparedness - November 16, 2007
- Employee Benefits Review - October 16, 2007
- Toronto Water Division - Review of Wastewater Treatment Program - Phase Two - September 21, 2007
- Internet Usage Review - July 31, 2007
- Management of Construction Contracts - Toronto Water and Sewer Emergency Repair Contracts - July 30, 2007
- Toronto Water Division - Review of Wastewater Treatment Program - Phase One - July 16, 2007
- Children's Services Division - Review of the Administration of Child Care Fee Subsidy - June 30, 2007
- Municipal Election 2006 - Review of Financial Filings by Members of City of Toronto Council - June 14, 2007
- Management of Construction Contracts - Leaside Bridge Structure Rehabilitation Contract - March 23, 2007
- Property Tax Appeals and Refund Processing - February 28, 2007
- Solid Waste Management Services - Review of Major Contracts - February 9, 2007

- Results of Previous Audit Recommendations - Toronto Zoo - February 5, 2007
- Improving the Procurement Process - Unbalanced Bids - January 10, 2007
- The Audit Committee - Roles and Responsibilities - January 12, 2007