



Auditor General's Office

**Auditor General's Recommended
2020 Operating Budget**

**Budget Briefing to Budget Committee
January 2020**

**AUDITOR
GENERAL**

TORONTO

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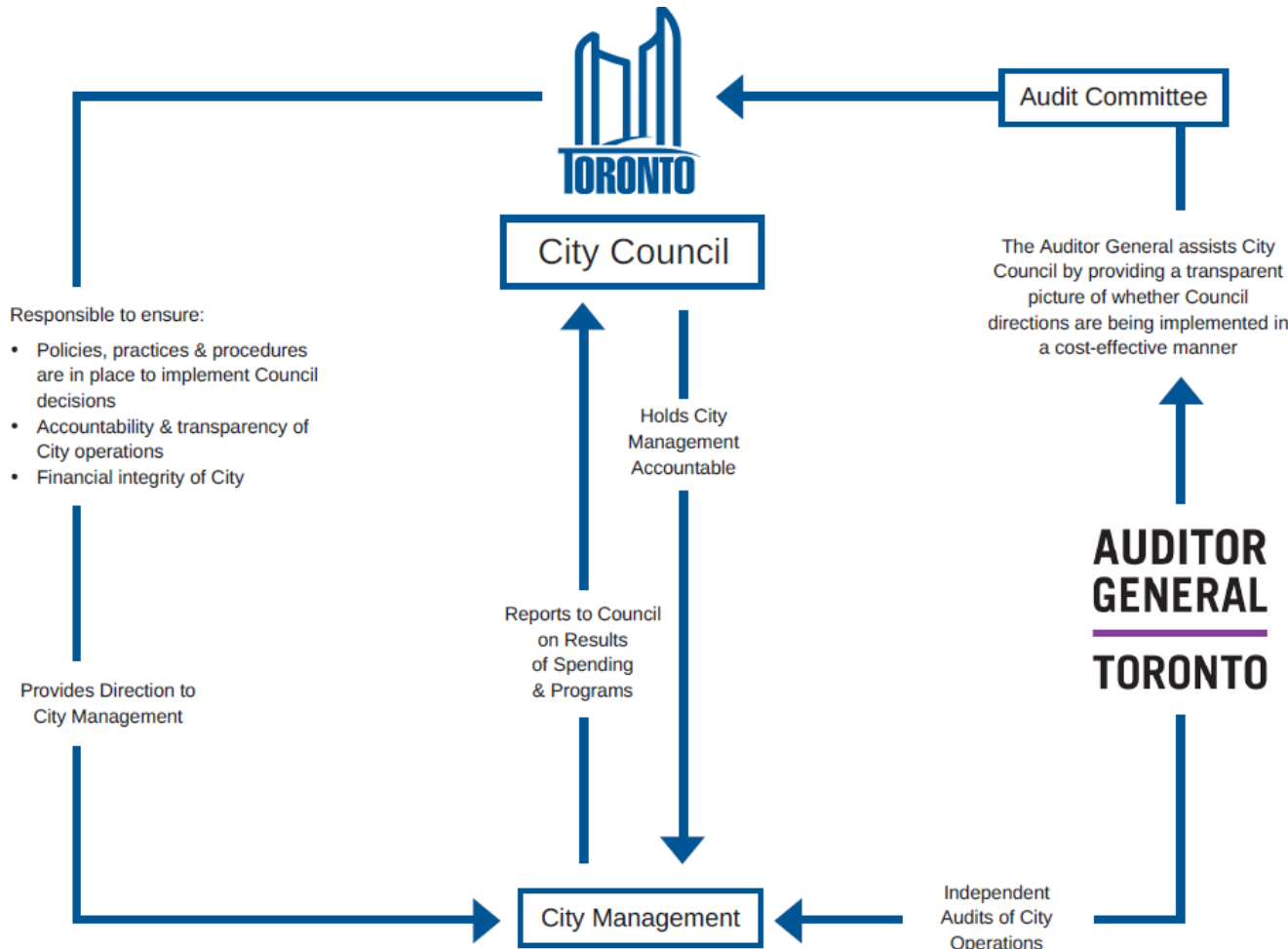
Overview and Highlights

Auditor General's Recommended 2020 Operating Budget

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Auditor General's Role and Responsibilities

Under the *City of Toronto Act*, **City Council's role** includes ensuring the City's *practices and procedures are in place* to implement the decisions of council and that the City maintains *accountability, transparency and financial integrity* in City operations.



The **Auditor General** supports **City Council** in fulfilling its due diligence responsibilities by *independently* providing *transparent information* on whether City programs are run effectively and Torontonians' tax dollars are spent as intended by City Council.

Pursuant to the *City of Toronto Act, 2006*, the

*"Auditor General is appointed to assist City Council in holding itself and its administration accountable for the **quality of stewardship over public funds** and for the **achievement of value for money in City operations.**"*

The Auditor General's Office delivers the following services:



**Conducting
performance
audits**



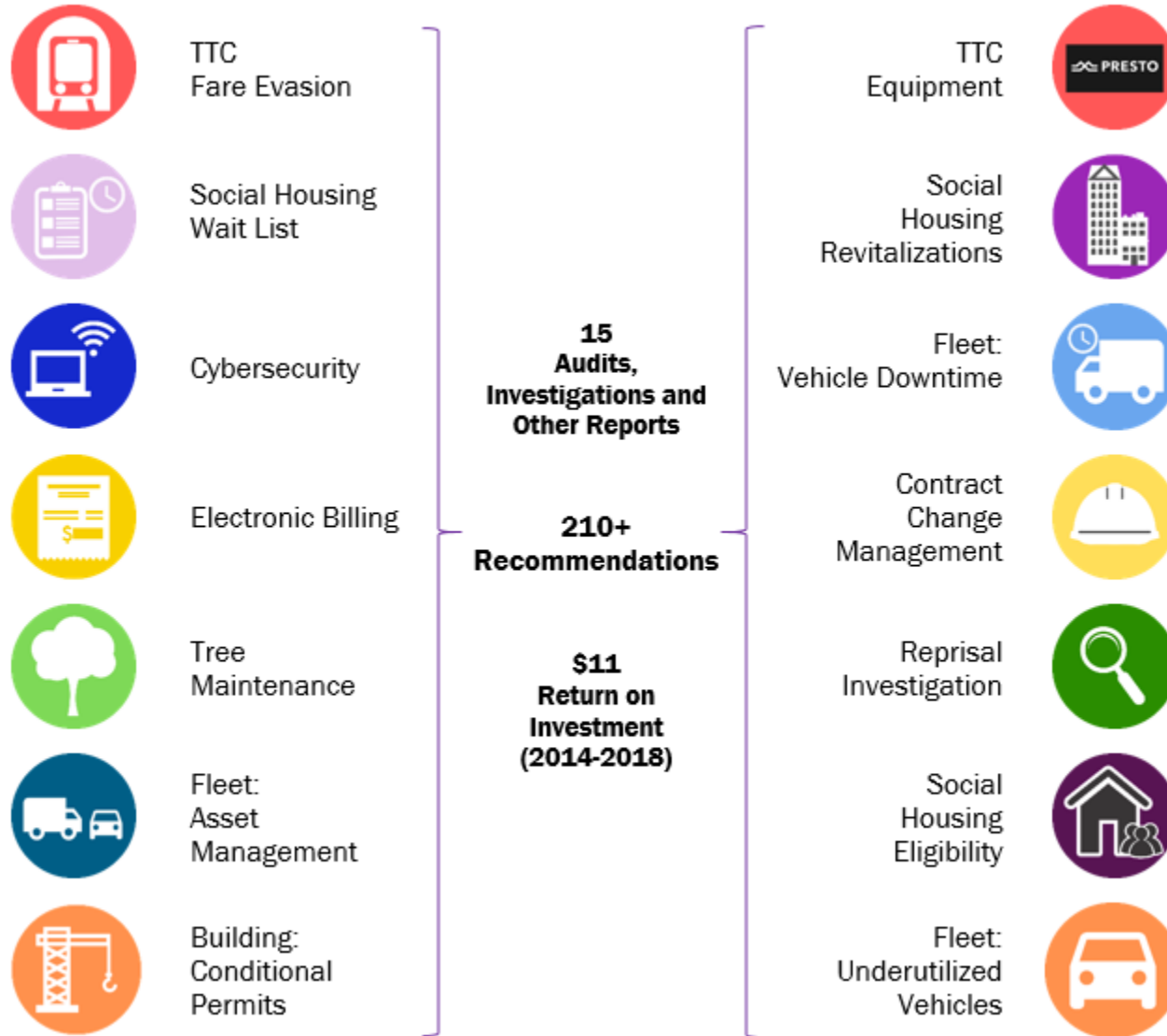
**Investigating
fraud, wrongdoing
and reprisal
allegations**



**Operating the
Fraud & Waste
Hotline**

Outcomes	Description
Independent, transparent information	<p>The Auditor General supports Council with independent, transparent information to hold the administration accountable for the quality of stewardship over public funds and for the achievement of value for money in City operations.</p>
Greater efficiency and savings in City operations (financial benefits)	<p>The purpose of any audit process is not specifically to identify cost reductions or revenue increases, although many of the Auditor General's audits have resulted in financial benefits. Different types of financial benefits or savings can arise from management's implementation of our recommendations.</p>
Improved governance, risk management, policies, procedures and internal controls (non-financial benefits)	<p>The identification of cost savings and increased revenue is only one component of the Auditor General's mandate. Equally important is the ongoing evaluation of governance, risk management and internal controls. The Auditor General also helps to promote the safety and security of City information and operations.</p>

Value of the Auditor General's Office

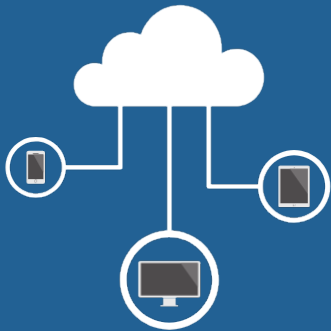


2019 Annual Report will be presented to Audit Committee on February 10, 2020



Backlog of High-Risk Fraud & Waste Complaints

- For the City's size and complexity, the Forensic Unit is small. A number of high-risk complaints are waiting to be addressed. Delays are primarily due to resource constraints.



Addressing Emerging Information Technology Risks

- Municipalities all increasingly becoming targets for cyberattacks.
- In 2019, in order to quickly respond to emerging risks, the Auditor General delayed other audits included in her Annual Work Plan.
- Auditor General's Work Plan for 2020 and beyond identifies the need for further audits in this area



Use of Experts

- Experts with specialized skills and tools are sometimes needed and required by audit standards to supplement the work performed by the Auditor General's staff, such as in the information technology area.

Priority Actions

- ✓ In accordance with auditing standards, the Auditor General must determine the appropriate staffing for audit and investigations – we need flexibility to choose between hiring staff and contracting external experts with specialized tools to address emerging risk areas.
- ✓ An additional \$675,000 in temporary funding is the minimum needed for resources to help provide assurance that emerging information technology risks and high-risk fraud and waste complaints are being promptly addressed.
- ✓ Over the longer term, City Council should consider setting the Auditor General's budget as a fixed percentage of the municipal budget to support the Office's independence.

Auditor General's Recommended 2020 Operating Budget

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Table 1: 2020 Auditor General Recommended Operating Budget

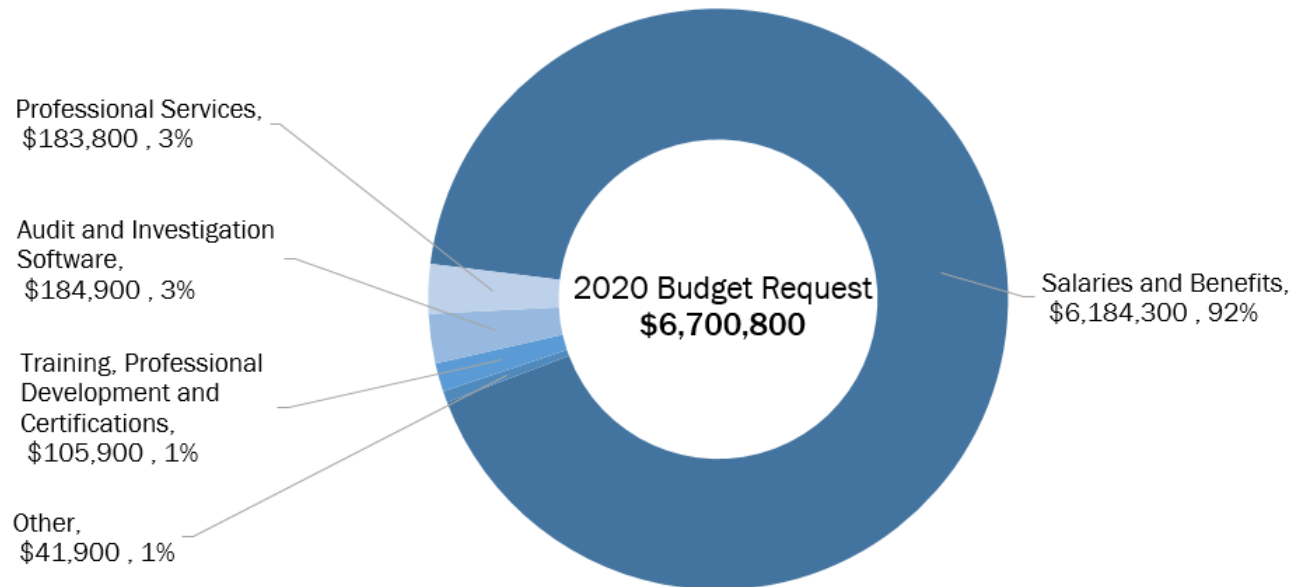
(In \$000s)	2017 Actual	2018 Actual	2019 Approved Budget	2019 Projected Actual	2020 Auditor General Rec'd Budget	Change v. 2019 Projected Actual	
By Service			\$		\$	\$	%
Revenues							
Auditor General's Office		0.2					
Total Revenues	0.0	0.2	0.0	0.0	0.0	0.0	
Expenses							
Auditor General's Office	5,364.9	6,243.9	6,618.8	6,618.8	6,700.8	82.0	1.2%
Total Gross Expenditures	5,364.9	6,243.9	6,618.8	6,618.8	6,700.8	82.0	1.2%
Net Expenditures	5,364.9	6,243.7	6,618.8	6,618.8	6,700.8	82.0	1.2%
Approved Positions	30.0	33.0	36.0	36.0	36.0	0.0	

*2019 Actual based on Q3 2019 Corporate Variance.

**2019 Budget and Actuals adjusted retroactively to remove interdivisional charges and recoveries.

The Auditor General's base budget request:

- **1/20th of one per cent** (.05%) of the City's 2019 Approved Adjusted Budget
- The recommended budget supports the Auditor General providing the same level of capacity to undertake value for money audits and investigations as in 2019.
- It is recommended that the time-limited budget increases approved by City Council in 2017 to 2019 be retained permanently to preserve the level of service provided over the last three years.



Key Cost Drivers – Base Budget

Key Cost Drivers (\$000)	2018 Actuals	2019 Proj. Actuals	2020 Auditor General Rec'd Base Budget	YoY Changes	
				\$	%
Expenditures					
1 Salaries and Benefits	5,628.6	5,463.1	6,184.3	721.2	13.2%
2 Materials & Supplies	6.4	13.0	7.7	(5.3)	-40.8%
3 Equipment	188.9	241.8	65.9	(175.9)	-72.7%
4 Service and Rent	411.8	890.3	432.2	(458.1)	-51.5%
5 Contribution To Reserves	8.2	10.6	10.6		
6 Other Expenditures (Inc. IDC's)					
Total Expenditures	6,243.9	6,618.8	6,700.8	82.0	1.2%
Revenues					
1 Provincial Subsidies					
2 User Fees & Donations					
3 Transfers From Capital					
4 Other Revenues (Inc. IDR's)	0.2				
Total Revenues	0.2				
Net Expenditures	6,243.7	6,618.8	6,700.8	82.0	1.2%
Positions	33.0	36.0	36.0		

*2019 Actual based on Q3 2019 Corporate Variance.

**2019 Budget and Actuals adjusted retroactively to remove interdivisional charges and recoveries.

Key Cost Drivers:

- Salary & benefit adjustments related to progression pay, one additional working day in 2020 and benefit adjustments
- For the purposes of the budget, the funds needed to carry out the Annual Work Plan are allocated to salaries and benefits for permanent and temporary staff. However, on a project-by-project basis (as was the case in 2019), the Auditor General may need to re-allocate funding within the Office's approved budget to "Services and Rent" to instead leverage contracted specialists.
- Annual licencing including support and maintenance costs offset for electronic audit working paper, Fraud & Waste Hotline, and data analytics software.

- It is the Auditor General's view that an additional **\$675,000** in temporary funding is the minimum needed for resources to help provide assurance that emerging information technology risks and high-risk fraud and waste complaints are being promptly addressed.
- This would bring the Auditor General's 2020 budget up to **0.055%** of *the City's 2019 Approved Adjusted Operating Budget*.
- The Auditor General's Office continues to be lean relative to the size and complexity of Toronto's Government.

2021 & 2022 Outlooks

(In \$000s)	2019 Projected Actual	2020 Auditor General Rec'd Budget	2021 Outlook	2022 Outlook
	\$	\$	\$	\$
Revenues				
Gross Expenditures	6,618.8	6,700.8	6,794.4	6,873.6
Net Expenditures	6,618.8	6,700.8	6,794.4	6,873.6
Approved Positions	36.0	36.0	36.0	36.0

	2021 Drivers	2022 Drivers
Salaries & Benefits:	\$0.082M	\$0.068M
Inflation Impact:	Inflation impact: \$0.011M, related to economic factor adjustments for non-payroll items.	Inflation impact: \$0.011M, related to economic factor adjustments for non-payroll items.



Budget Request:
\$6.701M



0.05%
of City Budget



92% of budget is
salaries & benefits

Service Issue Challenges

1. Some high-risk Fraud & Waste Hotline complaints are waiting to be addressed
2. Certain audits in the Work Plan may be re-prioritized to be able to address emerging risks
3. Experts with specialized skills and tools are sometimes needed to supplement Auditor General's staff

Key Priority Actions

1. Flexibility within approved budget and staffing
2. Temporarily increasing budget by \$675,000 will help address IT risks and high-risk complaints
3. Over longer term, Council should consider setting our budget as a fixed percentage of City budget to support the Office's independence

Thank You