

Timing of External Peer Review of the Auditor General's Office

Date: May 14, 2021
To: Audit Committee
From: Auditor General
Wards: All

SUMMARY

Chapter 3 of the Toronto Municipal Code requires that the "Auditor General shall undergo an external peer review once every three years to ensure compliance with government auditing standards" and that "the results of the external peer review shall be reported to Council through the Audit Committee".

In March 2020, the Association of Local Government Auditors (ALGA) temporarily suspended all in-person peer reviews due to travel restrictions and health and safety. To date, ALGA has not yet resumed its peer review program. By suspending its in-person peer program, ALGA recognizes there will be some audit organizations, like our Office, that will not meet expected period review timelines. ALGA has been granted the authority in accordance with government auditing standards to extend the time frame for peer reviews for any audit organization participating in its peer review program whose peer review is affected by the COVID-19.

The purpose of this report is to request City Council to allow the Auditor General to defer the external peer review of the Auditor General's Office to 2022 due to challenges and delays caused by the COVID-19 global pandemic.

Our request to defer the external peer review of the Auditor General's Office to 2022 is consistent with other audit organizations who participate in the peer review program administered by ALGA. The external peer review in 2022 will be conducted in accordance with the ALGA policy for COVID-19 delayed peer reviews. The Auditor General has received the highest rating, an unqualified opinion, in the last review.

Council's authorization of the one-time exemption from the Municipal Code requirement in order to defer the external peer review to 2022 will require a two-thirds vote of all Members of Council, in accordance with Section 3-1.11 of [City of Toronto Municipal Code Chapter 3](#).

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council authorize a one-time exemption from the requirement in City of Toronto Municipal Code Chapter 3, Accountability Officers, that the Auditor General undergo an external peer review once every three years, so that the external peer review of the Auditor General's Office originally due in 2021 will be completed by the end of 2022.

FINANCIAL IMPACT

There is no financial impact to this recommendation.

DECISION HISTORY

The Auditor General's Office follows Generally Accepted Government Auditing Standards (GAGAS). These standards require that "Audit organizations performing audits and attestation engagements in accordance with Generally Accepted Government Auditing Standards must have an external peer review performed by reviewers independent of the audit organization being reviewed at least once every 3 years".

The external peer reviews are performed by independent reviewers selected by a committee of the Association of Local Government Auditors (ALGA). ALGA is a North American organization of local government auditors and includes a number of organizations that have undergone an external peer review.

In February 2006, the City of Toronto Auditor General's Office was the first Canadian local government audit organization to have undergone a review of this nature.

Since then, four additional external peer reviews have been conducted and the Auditor General's Office received an "unqualified" opinion in all these reviews. An "unqualified" opinion is the highest class of opinion report obtainable and indicates that audit work conducted by the Auditor General's Office is performed in accordance with Generally Accepted Government Auditing Standards.

The results of all five previous external peer reviews are posted on the City website at:

- 2006: <https://www.toronto.ca/legdocs/2006/agendas/committees/au/au060615/it001.pdf>
- 2009: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.AU11.3>
- 2012: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.AU9.5>
- 2015: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.AU4.9>
- 2018: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.AU1.11>

COMMENTS

The Auditor General's Office is subject to a significant amount of external oversight as outlined in the report dated March 20, 2009, "A Policy Framework for Toronto's Accountability Offices" approved by Council. Oversight of the Auditor General's Office and the other Accountability Offices is provided through:

- Annual reporting to City Council
- The annual attest audit
- The annual compliance audit

In addition, the Auditor General's Office is required to undergo an external peer review conducted by independent reviewers selected by a committee of the Association of Local Government Auditors. The external peer review process includes a review of the Auditor General's internal quality control policies and procedures, related monitoring procedures, audit reports, documentation, and other necessary documents related to compliance with Government Auditing Standards. The review also includes interviews with various levels of the Auditor General's professional staff, City management and members of the Audit Committee. The external review team independently selects a cross section of audit work performed by the Auditor General's Office and provides an opinion on overall compliance with Government Auditing Standards.

An external peer review of the Auditor General's Office was last conducted in 2018.

Under normal circumstances, in accordance with Toronto Municipal Code Chapter 3 and Government Auditing Standards, the Auditor General's Office would be required to have our next external peer review of audits completed this year (i.e., in 2021).

To conduct the in-person review, an international delegation of peer reviewers attend on-site at the Auditor General's Office to conduct interviews and review audit files. However, with the onset of the global COVID-19 pandemic, the Association of Local Government Auditors (ALGA) suspended all in-person peer reviews in March 2020. ALGA has yet to reinstate its in-person peer review program. ALGA has been granted authority by the U.S. Government Accountability Office (GAO) to extend the due date for peer reviews by up to two years and three months, for any audit organization whose review was affected by COVID-19.

The Auditor General intends to request ALGA to grant an 18-month extension to the Auditor General's Office, which is consistent with the approach that other offices are taking. This means the external review would be conducted around mid-2022. Such an extension and review would then be completed in accordance with ALGA's policy for COVID-19-delayed reviews.

The Auditor General is requesting that, in recognition of the delays caused by the COVID-19 pandemic, City Council grant a temporary exemption from the Municipal Code requirement for the Auditor General to undergo an external peer review once every three years. This would allow for the next external peer review for the Auditor General's Office to be completed by the end of 2022 instead of in 2021, after which the

normal requirements of the Municipal Code, for an external peer review once every three years, be reinstated.

The Auditor General's Office has also switched to online audit management software and is exploring the possibility for peer reviews to be conducted remotely, if ALGA permits peer reviews to be conducted in such a manner in the future.

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SIGNATURE

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