



TORONTO STAFF REPORT

January 13, 2004

To: Audit Committee

From: Auditor General

Subject: 2004 Operating Plan and Budget – Auditor General’s Office

Purpose:

To provide the Audit Committee with detailed information relating to the preliminary 2004 operating plan and budget for the Auditor General's Office.

Financial Implications and Impact Statement:

The 2004 budget request for the Auditor General’s Office is \$3,481,500, which is \$114,700 in excess of its base budget of \$3,366,800. The proposed budget and base budget both contain audit fees in the amount of \$327,300 relating to the external financial audit.

The base budget was the amount recommended by the Finance Department.

Recommendations:

It is recommended that the attached 2004 Operating Plan and Budget for the Auditor General’s Office be approved and forwarded to the Budget Advisory Committee.

Background:

In May 2002, City Council approved an Auditor General’s Office for the City of Toronto.

The Auditor General’s Office is required to submit its annual operating plan and budget for approval. The Auditor General’s Office reports directly to Council through the Audit Committee, and as such is independent from management. Consequently, this budget has been forwarded directly to Audit Committee without a detailed review by the City’s Budget Division. This process was approved by City Council in 2001.

Detailed information relating to the 2004 budget is contained in the attached document entitled “2004 Operating Plan and Budget – Auditor General’s Office.”

Comments:

The Auditor General's Office 2004 budget request of \$3,481,500 is in excess of its base budget of \$3,366,800 by \$114,700.

The major component of the 2004 budget is salaries and benefits, which represent almost 92 per cent of its budget.

A business case supporting this request is contained in the attached document.

Benefits of the Audit Process to the City of Toronto

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 help auditees 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.

While certain 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. Details of these savings are included in the attached document and are in the range of \$7.6 million. The vast majority of this amount is annual ongoing savings.

Conclusions:

Detailed information relating to the budget is available in the Department's budget submission attached to this report (Appendix 1).

Total annual savings resulting from the adoption of the Auditor General's recommendations are in the amount of \$7.6 million and are far in excess of the budget of the Auditor General's Office.

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Attachment: Appendix 1: 2004 Operating Plan and Budget – Auditor General's Office

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