

# TORONTO STAFF REPORT

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April 21, 2004

To: Audit Committee  
From: Auditor General  
Subject: Revision – 2004 Annual Work Plan

Purpose:

To provide the Audit Committee with details relating to a revision to the Auditor General's 2004 Annual Work Plan which was submitted to City Council on January 27, 28 and 29, 2004.

Financial Implications and Impact Statement:

There are no financial implications resulting from the receipt of this report.

Recommendations:

It is recommended that this report be received for information.

Background:

The Auditor General's by-law requires that the Auditor General's Office submit an annual work plan to City Council which summarizes the projects to be undertaken during the year. This work plan was submitted to City Council on January 27, 28 and 29, 2004, and was based on information available to the Auditor General at the time.

The work plan is necessarily dynamic and may be amended during the year to accommodate priority tasks or if additional projects of high priority are identified during the year. The Auditor General has determined that a revision is required to the 2004 Annual Work Plan and this report outlines the change that will be made to the plan.

Comments:

It is not possible to audit all of the City's operations during a twelve-month period. Determining which areas to audit at the City and allocating audit resources to those areas is fundamental to an effective audit process. In order to assess the relative importance of potential audit entities and

to objectively develop an audit work plan, the Auditor General's Office conducts a risk assessment modelling exercise of the City's programs and revenue sources.

The purpose of the risk assessment exercise is to ensure that all areas of the City are evaluated from an audit risk perspective by using uniform criteria and also to prioritize potential audit projects. In developing the risk assessment model, best practices of other major city governments across North America and private sector entities were reviewed. The process followed by the Auditor General's Office is a best practice.

During 2003, the Auditor General conducted a major review of the City's procurement process, which included a review of the accounts payable area. This report was submitted to Council on April 14, 15 and 16, 2003. A similar review has not been conducted of the City's accounts receivable and billing process.

Our current review of the controls exercised over the revenue and receivables administered by the Parks and Recreation Division in the Economic Development, Culture and Tourism Department identified a number of concerns in relation to the management of accounts receivable.

In view of the issues identified in the management of the Parks and Recreation Division's receivables, the Auditor General has determined that a corporate-wide review of the management of receivables would be advisable. Consequently, the work plan has been revised to accommodate this review. In order to schedule this particular audit, it is necessary to defer the audit of the Property Tax Billing and Appeals Function to 2005.

Conclusion:

Concerns identified in relation to internal controls over the management of accounts receivable within the Parks and Recreation Division have necessitated a re-evaluation of the original audit work plan submitted to City Council.

The 2004 Annual Work Plan has been amended to include a review of the management of accounts receivable on a corporate basis. This particular project will examine how effectively the City is managing its receivables and whether it is taking reasonable and timely action to ensure the City is able to maximize its collection of receivables.

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