



# **External Quality Control Review**

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of the  
Auditor General's Office  
Toronto, ON

Conducted in accordance with guidelines of the  
**National Association of Local  
Government Auditors**  
for the period September 2004 through December 2005

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# National Association of Local Government Auditors

February 23, 2006

Jeffrey Griffiths  
Auditor General  
City of Toronto  
Auditor General's Office

Dear Mr. Griffiths

We have completed a peer review of the City of Toronto Auditor General's Office for the period September 2004 through December 2005. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published in May 2004 by the National Association of Local Government Auditors (N.A.L.G.A.).

We reviewed the internal quality control system of your organization and conducted tests in order to determine whether your internal control system operated to provide reasonable assurance of compliance with *Government Auditing Standards*. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the City of Toronto Auditor General Office's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during September 2004 through December 2005.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Sincerely,

Jerome Heer  
Director of Audits  
Department of Audit  
Milwaukee County

Gerald Schaefer, CIA, CISA, CFE, CGAP  
Financial Systems Audit Manager  
Office of the City Auditor  
Atlanta, GA



# National Association of Local Government Auditors

February 23, 2006

Jeffrey Griffiths  
Auditor General  
City of Toronto  
Auditor General's Office

Dear Mr. Griffiths

We have completed a peer review of the City of Toronto Auditor General's Office for the period September 2004 through December 2005 and issued our report dated February 23, 2006. We are issuing this companion letter to offer additional observations and suggestions stemming from our peer review.

First we would like to recognize you and your staff for your commitment to following *Government Auditing Standards* and some areas in which we believe your office excels:

- Your staff is exceptionally well-qualified and professional.
- Your office's policies and procedures far exceed what is required under government auditing standards. The forms, such as the audit planning and variance sheet, supervisory log, survey checklist, and audit data sheet, which are used to manage and document the results of your work, are first rate.
- Your work papers are particularly well organized and thorough. Your staff should be commended for keeping extraneous work papers to a minimum.
- Your reports are well written and contain all relevant issues summarized in the work papers.
- Your Fraud & Waste Hotline is a valuable tool for citizens.
- Your office has developed an excellent system to track if your audit recommendations have been implemented.

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to government auditing standards.

- In one of the engagements we examined, your office had some work papers that were not reviewed until after the report was released. *Government Auditing Standards* direct that supervision include reviewing the work performed (7.45). Consequently, work papers should be reviewed prior to the release of the report. We did see evidence of other supervisory review, such as supervisory logs, and checklist, which were completed before the report was released. Such controls mitigate the risk of having work papers reviewed after the release of the report.

February 23, 2006

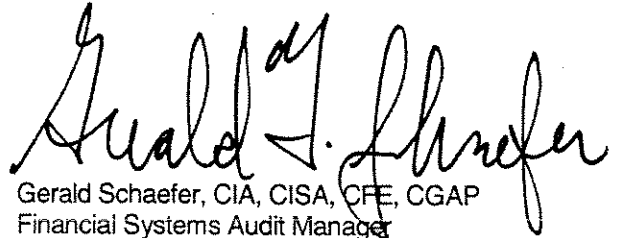
- We observed that the office does not include management's response with the audit report. *Government Auditing Standards* require that auditors should include in their report a copy of the officials' written comments or a summary of the comments received (8.31).

We extend our thanks to you, your staff and the other city officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,



Jerome Heer  
Director of Audits  
Department of Audit  
Milwaukee County, WI



Gerald Schaefer, CIA, CISA, CFE, CGAP  
Financial Systems Audit Manager  
Office of the City Auditor  
Atlanta, GA



Jeffrey Griffiths, C.A., C.F.E.  
Auditor General

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February 24, 2006

Jerome Heer  
Director of Audits  
Department of Audit  
County of Milwaukee  
2711 W. Wells St., 9th floor  
Milwaukee, WI 53206

Dear Mr. Heer,

Thank you for participating in the External Quality Control Review of the City of Toronto Auditor General's Office. Your review is a valuable part of our continuing efforts to improve the quality of audits, and we are pleased you found that audits performed by the Toronto Auditor General's Office comply with *Government Auditing Standards*.

The Auditor General's Office is committed to continuously improving the quality of our audit work. We appreciate your thoughtful comments regarding the areas where you found our Office excels, including staff qualifications and professionalism, the quality of our policies, procedures, working papers and audit reports, the value of our Fraud and Waste Hotline and our recently implemented system for following up on outstanding audit recommendations.

We also appreciate your additional observations and suggestions to further enhance our operations, including timely sign-off on work paper review and the inclusion of the views of responsible officials in our audit reports. While management responses to our audit reports are included in Audit Committee agendas, we understand the need to ensure that third parties who may access our reports should also have similar and immediate access to management's responses to the report.

We agree with your suggestions and plan to implement your suggested changes immediately.

Our entire office found the quality review to be a valuable and constructive process. We appreciate the professionalism with which you carried out your responsibilities as peer reviewers, as well as the insights gained from your own organizations.

I would like to extend my personal thanks to you and to Gerald Schaefer for taking the time to review our operations, and for your participation in the N.A.L.G.A. peer review program.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Griffiths", with a long horizontal flourish extending to the right.

Jeffrey Griffiths, C.A.  
Auditor General  
City of Toronto