



STAFF REPORT INFORMATION ONLY

AUDITOR GENERAL'S EXTERNAL PEER REVIEW - 2009

Date:	September 25, 2008
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

The purpose of this report is to provide the Audit Committee with information regarding the Auditor General's proposed external peer review.

Government Auditing Standards state that "Audit organizations performing audits and attestation engagements in accordance with GAGAS (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."

FINANCIAL IMPACT

Reasonable expenses incurred by members of the peer review team (airfare, hotel and meal expenses) will be paid from the Auditor General's Office budget upon completion of the proposed external peer review. The peer review will be conducted by the Association of Local Government Auditors. Reasonable expenses are not expected to exceed \$6,000. There will be no payment for the value of each peer review team member's time. Instead, staff from the Auditor General's Office will in turn conduct a peer review, coordinated by the Association of Local Government Auditors, for its members.

The upcoming peer review is the second such review for the Auditor General's Office. The City of Toronto Auditor General's Office is the only local government audit agency in Canada receiving a review of this nature.

Compliance with Government Auditing Standards is an important component of audit quality and is critical in maintaining credibility with City Council, management and the taxpaying public we serve.

DECISION HISTORY

The external peer review will be 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 organizations that have undergone external peer reviews. In February 2005, the City of Toronto Auditor General's Office was the first Canadian local government audit organization to have undergone a review of this nature and to date we know of no other Canadian audit organization that has undergone the scrutiny of the peer review process.

The ALGA external peer review will result in significant benefits to both the Auditor General's Office and the City. A few of the anticipated benefits expected from successful completion of the external peer review process are enhancing the quality and credibility of audit work, strengthening the uniformity, consistency and reliability of audit working papers and perhaps most importantly, answering the question, "Who's auditing the auditor?" As well, as audit work is occasionally used as evidence in legal proceedings, audit organizations participating in the external peer review process are provided an additional level of assurance that evidence and documentation used in court will withstand the scrutiny received in such circumstances.

COMMENTS

Nature of External Peer Review

The external peer review process includes a complete 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 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.

Reporting Peer Review Results

A written report is prepared communicating the results of the peer review. The written report is issued to the Auditor General for written response to issues identified by the review team. The written report and the Auditor General's written response are then transmitted to the Audit Committee and City Council.

Proposed Schedule and Measurement Period

The on-site portion of the Auditor General's peer review is scheduled for February 2009. Audits conducted during the period beginning January 1, 2006 through December 31, 2008 will be eligible for review. This period is known as the "measurement period".

Peer reviews are required to include a three-year term from the end of the previous measurement period.

Upon completion of the external peer review process, we will provide a complete report to the Audit Committee on the outcome.

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SIGNATURE

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