

2009 Audit Work Plan

Date:	October 17, 2008
To:	Audit Committee
From:	Jeff Griffiths, Auditor General
Wards:	All
Reference Number:	

SUMMARY

The purpose of this report is to provide City Council with details of the Auditor General's 2009 Audit Work Plan. The 2009 Audit Work Plan is attached as Appendix 1 and Appendix 2 to this report.

The 2009 Audit Work Plan is a combination of audits in progress, new audits, annual recurring projects and various investigations carried out as a result of fraud hotline complaints. Our 2009 Audit Work Plan also includes a formal follow-up process to ensure recommendations contained in previously issued audit reports have been implemented.

RECOMMENDATION

The Auditor General recommends that:

1. City Council receive the Auditor General's 2009 Audit Work Plan.

FINANCIAL IMPACT

The recommendation in this report has no financial impact beyond the amount provided in the Auditor General's 2009 budget request.

ISSUE BACKGROUND

Section 177 of the *City of Toronto Act* formalized the appointment of an Auditor General for the City of Toronto. Under Section 178 of the *City of Toronto Act*, the Auditor General is responsible for “assisting city council in holding itself and city administrators accountable for the quality of stewardship over public funds and for achievement of value for money in city operations.”

On an annual basis, the Auditor General submits the proposed audit work plan for the upcoming year to City Council for information.

The Audit Work Plan as presented in this report provides City Council with an overview of how resources allocated to the Auditor General’s Office will be used during 2009.

COMMENTS

The Auditor General’s 2009 Audit Work Plan contains details of audit projects planned during the year. Some audits will not be completed during 2009, as they will commence later in the year and will not be complete until 2010.

Projects included in the 2009 Audit Work Plan provided in Appendix 1 and Appendix 2 are classified into the following six categories:

1. Audits in Progress and New Audit Projects
2. Follow-up on Outstanding Audit Recommendations
3. Investigations Related to Allegations of Fraud or Other Potential Abuse
4. External Audit Coordination
5. Reports Requested by City Council
6. Other Projects

CONCLUSION

The Audit Work Plan is intended to be flexible and may be amended by the Auditor General as required. The bylaw establishing the Auditor General’s Office provides that “no deletions or amendments to the annual audit plan shall be made except by the Auditor General, however, Council may add to the annual audit plan by a two-third’s majority vote.” The 2009 Audit Work Plan provides a balance of audit work that will result in improving overall City operations by strengthening management controls, improving accountability and enhancing the efficiency and effectiveness of municipal services.

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SIGNATURE

Jeffrey Griffiths, Auditor General

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ATTACHMENTS

Appendix 1: Auditor General's 2009 Audit Work Plan Report

Appendix 2: Auditor General's 2009 Audit Work Plan – Audits in Progress and New Audit Projects

Appendix 3: Audit Reports Issued as a Result of Previous Risk Assessments

AUDITOR GENERAL'S 2009 AUDIT WORK PLAN REPORT

The Auditor General's 2009 Audit Work Plan contains details of audit projects planned during the year. Certain of these projects will not be completed during 2009 as some will commence later in the year and will not be finalized until 2010.

The projects included in the 2009 Audit Work Plan are classified into six categories as follows:

1. Audits in Progress and New Audit Projects
2. Follow-up on Outstanding Audit Recommendations
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1. Audits in Progress and New Audit Projects

The Selection of Audit Projects – Audit Risk Assessment

Appendix 2 provides a listing and brief description of audits in progress and new audit projects anticipated for 2009. Determining which areas to audit and the appropriate allocation of audit resources is essential in maximizing the value of an effective audit process. In order to assess the relative importance of potential audit areas and to objectively develop an audit work plan, the Auditor General has relied on a formal detailed 2003 risk assessment exercise conducted by the Auditor General's Office.

Best practices generally necessitate a re-evaluation of any risk assessment over a five-year period. In view of the resources required to conduct a detailed risk assessment, it is not practical to conduct such a process on a more regular basis. In this context, the Auditor General is currently conducting a comprehensive risk assessment of the City's programs and services which will be completed by June 2009. The results of this risk assessment will be used to prioritize audit projects to include in future work plans. The high priority audit projects identified at the time of the 2003 risk assessment were addressed and reports were issued. Details of reports issued which addressed the 2003 risk assessment are itemized in Appendix 3.

In 2007, the Auditor General completed a comprehensive risk assessment for City Agencies, Boards and Commissions. The 2009 Audit Work Plan includes projects identified through the Auditor General's risk assessment process.

The extent of 2009 audit projects subject to review is dependent on:

- approval of the Auditor General’s 2009 budget as submitted;
- the extent of fraud investigations required during the year;
- the extent of work performed by other internal audit functions;
- the number of special requests approved by City Council; and
- other issues which may emerge during the year.

2. Follow-up on Outstanding Audit Recommendations

Follow-up on outstanding audit recommendations from previous audit reports is important to ensure management has taken appropriate action to implement recommendations included in those reports. Furthermore, in order to comply with *Government Auditing Standards* the Auditor General is required to follow-up on the implementation status of recommendations from previous audit reports.

In 2005, the Auditor General’s Office implemented an annual follow-up process and has reported annually on the implementation status of outstanding recommendations to the Audit Committee on recommendations included in previous audit reports. The next follow-up report to Audit Committee is scheduled for July 2009.

3. Investigations Related to Allegations of Fraud or Other Potential Abuse

Fraud or other wrongdoing is identified by the Auditor General’s Office as a result of ongoing audit work, notification by management or through the Fraud and Waste Hotline.

The investigation of fraud or other potential abuse is a high priority. As the number and complexity of reported allegations and complaints is unknown at this time, it is difficult to predict the extent of investigative work required during 2009.

4. External Audit Coordination

The Auditor General’s responsibilities in this area include the management, coordination and oversight of the external attest audits of the City, its Agencies, Boards and Commissions, the Boards of Management of Community Centres and Committees of Management for Arenas.

The Audit Work Plan includes an allocation of resources for the development and issuance of a request for proposal in late 2009 for the selection of the City’s external auditors and its major Agencies, Boards and Commissions. This request for proposal for external audit services will be for audits conducted from 2010 to 2014. The current two-year contract extension for external audit services will expire with the completion of the 2009 financial statement audit.

The contract with the external attest auditors for City Arenas, Community Centres and Miscellaneous Entities (Heritage Toronto, Yonge-Dundas Square, the Toronto Atmospheric Fund and the Clean Air Partnership) expired in 2008. The Auditor General facilitated the request for proposal process for external audit services for City Arenas, Community Centres and Miscellaneous Entities, and in May 2008 City Council approved the contract with Grant Thornton LLP to perform the financial statement audits for the years 2008 to 2012.

5. Reports Requested by City Council

City Council may request the Auditor General to conduct reviews on areas of concern. City Council has previously requested the Auditor General to consider performing a review of the issuance of City sole source contracts. This review was included in our 2008 Audit Work Plan and is currently underway. Anticipated completion of this project is scheduled for mid 2009.

Further, City Council requested the Auditor General to perform a forensic review of the affordable housing project at 2350 Finch Avenue West. This review was completed during 2008 and reported to Audit Committee and City Council in July 2008.

Other projects may be requested by City Council in 2009.

6. Other Projects

Audit of the Auditor – External Quality Control Review

In order to ensure the Auditor General maintains a high standard in performing audit work and to provide assurance that the Office complies with City policies and procedures, the Auditor General is subject to two independent audits, a triennial external quality control review, and an annual external audit.

The Auditor General is required to ensure that audits are conducted in accordance with *Government Auditing Standards*. These standards require that audit organizations provide for an external quality control review, known as a peer review, at least every three years. This review is conducted by a team of external audit professionals selected by an independent association, who assess the adequacy of the Auditor General's internal quality control system and its overall level of compliance with *Government Auditing Standards*. The 2006 peer review of the Auditor General's Office was the first time a Canadian municipality had been reviewed using this process. In accordance with *Government Auditing Standards* the Auditor General's next scheduled peer review is February 2009.

The review team is comprised of professional local government auditors from other organizations throughout North America and results in a written report. The report from the 2006 review, and the Auditor General's written response are available at: http://www.toronto.ca/audit/reports2006_sub4.htm

These reviews are conducted at no cost to the City other than out-of-pocket expenses. There is an expectation, however, that the City will reciprocate and provide one or more staff to participate on peer review teams to conduct external quality control reviews for other North American cities.

In addition to the triennial external quality control review, an annual audit of the operation of the Auditor General's Office is conducted by independent external auditors. The objective of this annual audit is to provide Audit Committee and City Council assurance that the Auditor General's Office is carrying out its operations in compliance with City policies and procedures. The City Manager is responsible for engaging the external auditor and providing results to the Audit Committee.

The report from the external auditors dated May 25, 2007 is available at:
<http://www.toronto.ca/audit/reports2007.htm>

APPENDIX 2

**AUDITOR GENERAL'S 2009 AUDIT WORK PLAN –
AUDITS IN PROGRESS AND NEW AUDIT PROJECTS**

1. AUDITS IN PROGRESS

Audit Projects	Project Description
Toronto Police Service – Fleet Operations	<p>To review controls over the management and administration of vehicle maintenance in the Police fleet.</p> <p>This audit is complete and will be submitted to the November Toronto Police Services Board meeting. The report will be submitted to the February 2009 Audit Committee meeting.</p>
Integrated Business Management System - Municipal Licensing and Standards	<p>The Integrated Business Management System (IBMS) is a workflow management tool used to track major projects and provide management with project status summaries throughout the City.</p> <p>The objective of this review is to assess the efficiency and effectiveness of procedures and controls to ensure the confidentiality, availability and integrity of information maintained in the IBMS system.</p> <p>This audit is almost complete and is scheduled for the February 2009 Audit Committee meeting.</p>
Capital Program, Parks, Forestry and Recreation	<p>This review includes an assessment of how well the Division manages its capital program with an emphasis on economy, efficiency and effectiveness.</p> <p>This audit is almost complete and is scheduled for the February 2009 Audit Committee meeting.</p>
Toronto Parking Authority	<p>To assess the efficiency and effectiveness of controls over revenues, expenditures and procurement practices.</p> <p>This audit is underway and scheduled for the May 2009 Audit Committee.</p>

Audit Projects	Project Description
Insurance and Risk Management	<p>The purpose of this review is to determine whether or not major City risks are adequately insured and that insurance and risk management processes are efficient and effective.</p> <p>This audit is underway and is expected to be completed during the first half of 2009.</p>
City Hiring Processes	<p>This is a review of the efficiency and effectiveness of City employee recruitment and selection processes.</p> <p>This audit is underway and is expected to be completed during the first half of 2009.</p>
Information Technology Training	<p>The purpose of this review is to determine if the right information technology training is being provided to the right people, at the right time and place, and at the right cost.</p> <p>This audit is underway and is expected to be completed during the first half of 2009.</p>
Payment of Utility Charges	<p>The purpose of this is review is to ensure controls exist to validate utility payments and evaluate controls in place to prevent erroneous, fictitious or duplicate payments at both the City and its major Boards and Commissions.</p> <p>This review is in the preliminary survey stage and will be completed during 2009.</p>
Use and Control of Sole Source Contracts	<p>The purpose of this audit is to review the issuance of sole source contracts and related checks and balances.</p> <p>This review is in the preliminary survey stage and will be completed during 2009.</p>
Review of Major City Revenue Streams	<p>The objective of this review is to ensure that adequate controls exist in billing for goods and services provided by the City, collecting revenues, and ensuring that billing and collections are recorded and accounted for in a timely manner.</p> <p>This audit is underway and will be completed during the first half of 2009.</p>

Audit Projects	Project Description
Accounts Receivable	<p>The purpose of this review is to ensure that the City's accounts receivable controls, billing and collection processes are effective.</p> <p>This is intended to be a high-level review and will be commenced prior to December 31, 2008.</p>
Follow-up Review on the Investigation of Sexual Assaults – Toronto Police Service	<p>The purpose of this review is to determine the status of recommendations made in the Auditor General's 1999 report entitled, "Review of the Investigation of Sexual Assaults – Toronto Police Service" and additional recommendations made in the Auditor General's 2004 Follow-up Review of the October 1999 Report on Investigation of Sexual Assaults – Toronto Police Service.</p> <p>A report was issued to the Toronto Police Services Board in October 2008 recommending that this project be deferred to 2009. This report outlining the reasons for the deferral is available at: http://www.toronto.ca/audit/reports2008.htm and will be forwarded to the Audit Committee for information.</p>
Mobile and Remote Wireless Environment	<p>To review the City's wireless telecommunication strategy, related infrastructure and security standards.</p> <p>This review is in its preliminary stage.</p>
City-Wide Risk Assessment	<p>The Auditor General's Office conducts a risk assessment every five years. The risk assessment process is a quantitative approach to prioritizing City risks, exposures and liabilities.</p> <p>This project is underway and is expected to be completed by June 2009.</p>

2. NEW AUDIT PROJECTS

Audit Project	Project Description
Development Funds Review – Section 37, 45 and 42 Agreements	This audit includes a review of controls related to implementation, recordkeeping, monitoring and effectiveness of development agreements.
Construction Contracts Review – City Contracts	This review will focus on adequacy of controls in tendering, award and management of construction contracts. Contract payments and supporting documents for selected contracts will be reviewed for accuracy and compliance with policies, procedures and contract terms and conditions.
Construction Contracts Review – one or more Agencies, Boards, and Commissions	This review will focus on the adequacy of controls in tendering, award and management of construction contracts at selected City Agencies, Boards and Commissions. Contract payments and supporting documents for selected contracts will be reviewed for accuracy and compliance with policies and procedures, contract terms and conditions.
Purchasing Card Review	The Purchasing Card (PCard) program introduced in 2005 was established to provide a more efficient and cost effective method of purchasing one-time, low dollar value goods and services. The PCard limit varies division by division. In 2007, PCard purchases totalled over \$3 million. This review will focus on controls used in managing the PCard process and evaluating divisional PCard transactions.
SAP Competency Centre Review – Service Delivery and Effectiveness	This is a review of the effectiveness of the City’s SAP Competency Centre in maximizing its return on investment. The review will include an evaluation of SAP implementation, identifying best practices, effectiveness in enforcing SAP corporate standards for information systems development, maintenance and use, and the role played by the Centre in assisting SAP implementation at the City’s Agencies, Boards and Commissions.
New Sources of Revenue - Land Transfer Tax and Personal Vehicle Registration Fees	Review of administrative controls relating to each of these new sources of revenue. It is estimated that these revenues will generate approximately \$300 million.
Various Program Reviews Conducted by the City Manager’s Office – Status of Implementation of Recommendations	Ongoing determination of the status of recommendations contained in various City-wide program reviews.

Audit Project	Project Description
Follow-up on “Review of Police Training – Opportunities for Improvement, Toronto Police Service”	To determine the implementation status of recommendations made in the Auditor General’s January 2007 report entitled, “Review of Police Training – Opportunities for Improvement, Toronto Police Service”.
Follow-up on Outstanding Recommendations from Previous Audit Reports	This project relates to our annual review of the implementation status of outstanding audit recommendations from previous audit reports issued to the City and its Agencies, Boards and Commissions.
Development of a System for Continuous Controls Monitoring Reports	The purpose of this project is to develop certain key control monitoring and exception reports using data extraction and analysis tools. These reports will be used by the Auditor General in identifying significant emerging trends, and preventing and detecting fraud, and control risks and exposures.
Audit of the Auditor General – External Quality Control Review	<p><i>Government Auditing Standards</i> require audit organizations to provide for an external quality control review at least every three years. This review also known as Peer Review consists of a team of external audit professionals who assess the adequacy of the Auditor General’s internal quality control system and its overall level of compliance with <i>Government Auditing Standards</i>. Upon completion of the Peer Review, the Auditor General will communicate the results to the Audit Committee and City Council.</p> <p>The last such review was conducted in February 2006 and the next review is scheduled for February 2009.</p>

AUDIT REPORTS ISSUED AS A RESULT OF PREVIOUS RISK ASSESSMENTS

As indicated in Appendix 1, a detailed formalized risk assessment was conducted in 2003. This assessment identified a significant number of audit projects. These projects were prioritized based on the risk assessment and audit work plans were developed in order to address the risks.

In addition, immediately subsequent to amalgamation in 1998, an informal assessment of audit risks was developed in consultation with the then Chief Administrative Officer. Audit projects were identified at that time and specific work plans were developed to address the risks identified.

The following is a representative listing of audit projects completed in order to address the audit risks identified. In addition to the work plan developed by the Auditor General, additional audit work or special reviews were conducted in response to emerging issues. Certain of these reviews were requested by City Council.

City Audit Reports:

- Maintenance and Administrative Controls Review – Facilities and Real Estate
- Fleet Operations Review
- Payroll Processing Reviews
- Procurement Process Review
- Corporate Absenteeism Reviews
- Social Services Overpayment Reviews
- Emergency Medical Services – Operational Review
- Hostel Operations Review
- Administration of City Grants Review
- Review of Parking Enforcement
- Review of Day Care Fees and Subsidies
- Various Cash Control Reviews
- Receivables Review – Various Divisions
- Investment Policy Compliance Reviews
- Review of Reserves and Reserve Funds Administration
- Treasury Services Review
- Access and Equity Reviews
- Telecommunication Services Review
- Management of City Information Technology Assets Review
- Review of the Administration of Leases on City-Owned Properties
- Improving the Procurement Process – Unbalanced Bids
- Fire Services Operational Review
- Solid Waste Tipping Fees Reviews
- Various Contract Compliance Reviews
- Departmental Purchase Order Reviews

- Homes-for-the-Aged – Residents Fees and Trust Funds Review
- Fair Wage Policy Review
- Sick Leave Liability Review
- CLASS Recreation Registration and Permitting System Information Technology Review
- Review of Food Safety Program – Toronto Public Health
- Review of Radio Communications – Toronto Fire Services
- Review of Corporate Charges – Toronto Public Health
- Various Petty Cash Reviews – All Divisions
- Use of Long-Term Consultants Review
- Bank Reconciliation and Bank Deposits Review
- Emergency Medical Services – Scheduling Review
- Fleet Emissions Testing Review
- Pandemic Preparedness Review
- Committee of Adjustment Review
- Permits and Lottery Licences Review
- Hostel Vacancy and Bed Rates Review
- Election Compliance Review
- Councillor and Staff Expenses Review
- Works Best Practices Review
- Review of Chemical Procurement – Competition Bureau Issues
- Building Division Review
- Novell Netware Networks Security Assessment Review
- Commercial Garbage Collection Review
- Corporate Variance Reporting Review
- Information Technology – Contract Extensions Review
- Windows NT Security Review
- Water Quality Review
- Oracle Database Software Acquisition Reviews
- Oracle Database Review – Security Controls and Other Users
- Telephone System Selection – Forensic Review
- Outstanding Receivables – Their Impact on the Tax Levy Review
- SAP Financial and Human Resources/Payroll Information Systems – Post Implementation Review
- Toronto Maintenance Management System Application Review
- Various Reports Relating to the Review of the Contract with MFP
- Review of the Acquisition of Councillor Computer Equipment and the Award of the Leasing Contract
- Forensic Review relating to services provided by certain US based Consultants
- Review of the City’s Disaster Recovery Plan
- Review of Year 2000 Expenditures
- Management Controls – A Basic Departmental Responsibility
- Migration of SAP to the Agencies, Boards and Commissions Review
- Review of City’s Construction Contracts
- Review of Toronto Water Works and Emergency Services Contracts
- Review of certain Affordable Housing Projects

Agencies, Boards and Commissions Audit Reports:

- Court Services – Operational Review – Toronto Police Service
- Review of Various Towing Contracts – Toronto Police Service
- Review of Overtime – Toronto Police Service
- Review of Police Training – Toronto Police Service
- Review of Radio Communications – Toronto Police Service
- Parking Tag Operations Review – Toronto Police Service
- Information Technology Review – Metropolis – Toronto Police Service
- Review of the Investigation of Sexual Assaults – Toronto Police Service
- Review of the Public Complaints Process – Toronto Police Service
- Revenue Controls Review – Toronto Police Service
- Enterprise Case and Occurrence Processing System (eCops) Review – Toronto Police Service
- Vehicle Replacement Policy – Toronto Police Service
- Air Service Unit Pilot Project Evaluation – Toronto Police Service
- Courtesy Envelopes Review – Toronto Parking Authority
- Administrative Controls Review – Toronto Parking Authority
- Thefts from Parking Meters Review – Toronto Parking Authority
- Review of Year-End Spending and Use of Consultants – Toronto Public Library
- Fines and Income Review – Toronto Public Library
- The Management of Information Technology Projects – Toronto Transit Commission
- Sheppard Subway – Project Cost Overruns – Toronto Transit Commission
- Tendering of Contracts – Toronto Zoo
- Animal Transaction Policies Procedures and Practices Review – Toronto Zoo
- Cash Controls Review – Toronto Zoo
- Toronto Atmospheric Funds – Grants Review