

Auditor General's Office – 2010 Budget

Date:	November 9, 2009
To:	Audit Committee
From:	Jeff Griffiths, Auditor General, Auditor General's Office
Wards:	All
Reference Number:	

SUMMARY

This report provides information relating to the 2010 budget for the Auditor General's Office and a recommended budget for approval by the Audit Committee.

The Auditor General's 2010 budget request is for \$4,509,236 which is \$127,753, (2.9 per cent) greater than the Office's 2009 Council approved budget.

RECOMMENDATION

The Auditor General recommends that:

1. The Audit Committee approve the attached 2010 budget for the Auditor General's Office and forward it to the Budget Committee.

FINANCIAL IMPACT

The 2010 budget request for the Auditor General's Office is \$4,509,236 which is \$127,753 in excess of the 2009 final budget of \$4,381,482. The proposed budget contains audit fees in the amount of \$483,755 relating to the external financial audit. This amount is the same as the 2009 external audit fees. The Auditor General has no control over the external audit fees paid to the external audit firm as the amount is pre-determined based on a Council approved contract. This amount is subject to an adjustment pursuant to the current request for proposal in process for a new five year term contract starting January 1, 2010.

An analysis of the budget request is as follows:

	2010 Budget Request	2009 Approved Budget	Increase	%
Budget	\$4,509,236	\$4,381,482	\$127,753	2.9

The majority of the Auditor General’s 2010 budget request consists of salaries and benefits. A new part-time administrative support position is part of this year’s budget request to assist in addressing the additional administrative workload in the Auditor General’s Office resulting from management of the City’s Hotline Program. If the amount of \$483,755 for external audit fees is excluded from the budget of the Auditor General’s Office, the percentage of the salaries and benefits to the total budget is just over 97 per cent.

The Auditor General’s Office is currently fully staffed. In order to achieve a five per cent operating budget reduction, an amount of \$262,662 would have to be decreased, reducing the 2010 budget to \$4,246,574. The impact on the 2010 budget would be the elimination of the proposed part-time administrative staff and 2 staff positions.

ISSUE BACKGROUND

In May 2002, City Council approved an independent Auditor General’s Office for the City of Toronto. *The City of Toronto Act, 2006* has subsequently formalized the establishment of the Auditor General. Section 177 of the act requires that “The City shall appoint an Auditor General”.

The Auditor General’s Office reports directly to Council through the Audit Committee and, as such, is independent from management. As an independent office, the Auditor General submits an annual audit work plan to the Audit Committee for review and an annual budget for review and approval.

Consequently, this budget has been forwarded directly to the Audit Committee without a detailed review by the City’s Financial Planning Division. This process was approved by City Council in 2001.

Detailed information relating to the 2010 budget is contained in the attached document, entitled “Auditor General’s Office – 2010 Budget”.

COMMENTS

The 2010 budget request for the Auditor General’s Office is \$4,509,236 as contained in the attached document (Appendix 1).

The major component of the 2010 budget is salaries and benefits, which represents 97 per cent of the budget (excluding external financial audit fees).

Reducing the Auditor General's 2009 approved budget by five per cent would result in termination of staff.

The Auditor General is responsible for evaluating City programs, activities and functions of Divisions, Agencies, Boards, Commissions, and the Offices of the Mayor and Members of Council. 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
- 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 assist management 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
- achieve the desired program results.

In addition, the Auditor General's Office, as one of its responsibilities, operates the Fraud and Waste Hotline Program.

While certain audit 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 and continue to occur, as a result of the work conducted by the Auditor General.

In a report to Audit Committee dated January 19, 2009 entitled "Annual Report - Auditor General's Office – Benefits to the City of Toronto", it was reported to the Audit Committee that the actual potential net savings for the period 2004 to 2008 were in the range of \$91 million.

CONTACT

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SIGNATURE

Jeff Griffiths, Auditor General

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ATTACHMENTS

Appendix 1 – Auditor General's Office – 2010 Budget