



AUDITOR GENERAL'S REPORT INFORMATION ONLY

Auditor General's Office – 2011 Budget

Date:	February 1, 2011
To:	Audit Committee
From:	Jeff Griffiths, Auditor General, Auditor General's Office
Wards:	All
Reference Number:	

SUMMARY

This report provides information relating to the 2011 budget for the Auditor General's Office.

In normal circumstances the budget of the Auditor General's Office would be tabled with the Audit Committee sometime in November, prior to submission to the Budget Committee. Due to the election and the compressed budget process timeframe this was not possible. Discussions were held with the City Clerk's Office and it was determined that a direct submission of the 2011 budget to Budget Committee would be appropriate.

This matter was communicated to the current Budget Chief and the former Chair of the Audit Committee. The Auditor General's Office 2011 Budget was presented to the Budget Committee on January 13, 2011.

This report is being forwarded to the Audit Committee for information only.

FINANCIAL IMPACT

The 2011 budget request for the Auditor General's Office is \$4,193,900 which is \$89,200 less than the 2010 final budget of \$4,283,100.

The proposed budget contains audit fees in the amount of \$306,048 relating to the external financial audit. The Auditor General has no control over the external audit fees paid to the audit firm as the amount is pre-determined based on a Council approved contract.

An analysis of the budget request is as follows:

	2011 Budget Request	2010 Approved Budget	Decrease	%
Budget	\$4,193,900	\$4,283,100	(\$89,200)	(2.1)

The majority of the Auditor General's 2011 budget request consists of salaries and benefits. If the amount of \$306,048 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 under 96 per cent.

As of November 30, 2010, the Auditor General's Office has one vacancy. The remainder of positions are filled. In order to achieve a five per cent reduction on the 2009 approved net operating budget, the 2011 budget request would have to be reduced by \$219,100 to \$4,146,500. The impact on the 2011 budget would be the elimination of the vacancy and one additional staff position.

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, the Auditor General's Budget is forwarded directly to Audit Committee without a detailed review by the City's Financial Planning Division. This process was approved by City Council in 2001.

On March 20, 2009, City Council approved a report entitled "A Policy Framework for Toronto Accountability Officers". The policy provisions included in the framework form the basis of a separate Toronto Municipal Code chapter for the Accountability Officers. This new chapter, Chapter 3, "Accountability Officers" was enacted, by City Council in October 2009. This chapter reinforces their arm's length relationship to the City administration and their independent status within the City's governance system. Notwithstanding the Accountability Officers' independence and arms length status the Officers utilize the City's corporate annual budget process. A budget protocol was developed to establish a process to guide the Accountability Officers' budget submissions through City Council's annual operating budget process and to provide clarity for the City administration's role with respect to the Accountability Officers' budget process. This protocol requires that a Budget Request Overview be appended to the Accountability Officer's Budget Transmittal Report. Detailed information relating to the

Auditor General's 2011 budget is contained in the attached document, entitled "Budget Request Overview".

In 2010, a Budget Protocol was established to guide the Accountability Officers' submissions through City Council's annual operating budget process. This protocol also provides clarity for the City administration's role with respect to the Accountability Officers' budget process.

COMMENTS

The 2011 budget request for the Auditor General's Office is \$4,193,900 as contained in the attached document (Appendix 1).

The major component of the 2011 budget is salaries and benefits, which represents 96 per cent of the budget (excluding external financial audit fees).

Reducing the Auditor General's 2011 budget by \$219,100 would result in the deletion of one vacancy and the termination of one 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 24, 2011 entitled "Annual Report – Auditor General's Office – Benefits to the City of Toronto", it is reported that the actual potential net savings for the five year period commencing January 1, 2006 were in the range of \$97 million.

CONTACT

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SIGNATURE

Jeff Griffiths, Auditor General

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ATTACHMENTS

Appendix 1 – Auditor General's Office – 2011 Budget