



# AUDITOR GENERAL'S REPORT ACTION REQUIRED

## 2011 Audit Work Plan

<b>Date:</b>	January 12, 2011
<b>To:</b>	Audit Committee
<b>From:</b>	Auditor General
<b>Wards:</b>	All
<b>Reference Number:</b>	

### **SUMMARY**

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The purpose of this report is to provide City Council with details of the Auditor General's 2011 Audit Work Plan. The 2011 Audit Work Plan is attached as Appendix 1 and Appendix 2 to this report. Appendix 3 includes audits completed during the last five years. Appendix 4 includes a summary of future potential audits.

The 2011 Audit Work Plan is a combination of audits in progress, new audits, annual recurring projects and investigative work carried out as a result of complaints received through the Fraud and Waste Hotline. Our Audit Work Plan also includes a formal follow-up review to ensure recommendations contained in previously issued audit reports, or as a result of investigative work, have been implemented.

### **RECOMMENDATION**

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**The Auditor General recommends that:**

1. City Council receive the Auditor General's 2011 Audit Work Plan.

#### **Financial Impact**

The recommendation in this report has no financial impact beyond the amount provided in the Auditor General's 2011 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 a proposed audit work plan for the upcoming year to City Council for information. Each year, the Auditor General also provides the Audit Committee with a report that identifies the extent of quantifiable financial benefits resulting from the work conducted by the Auditor General’s Office. Historically, for every \$1 invested in the audit process, the return on this investment has been in the range of \$5. Many of the estimated cost savings are ongoing and occur on an annual basis. The latest financial benefits report will be tabled at the first audit committee of 2011.

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 2011.

## **COMMENTS**

The Auditor General’s 2011 Audit Work Plan contains details of audit projects planned during the year. Some audits will not be completed during 2011, as they will commence later in the year and will not be completed until 2012.

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 2011 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**

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Jeffrey Griffiths, Auditor General

10-AAS-02

## **ATTACHMENTS**

- Appendix 1: Auditor General's 2011 Audit Work Plan – Summary
- Appendix 2: Auditor General's 2011 Audit Work Plan – Audits in Progress and New Audit Projects
- Appendix 3: Auditor General's Office, Audit Reports 2006 - 2010
- Appendix 4: Auditor General's Office, Future Potential Audits

**AUDITOR GENERAL'S 2011 AUDIT WORK PLAN - SUMMARY**

The Auditor General's 2011 Audit Work Plan contains details of audit projects planned during the year. Certain of these projects will not be completed during 2011 due to the fact that they will commence late in 2011 and consequently will not be finalized until 2012.

The projects included in the 2011 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
3. Investigative Work Related to Allegations of Fraud or Other Wrongdoing
4. External Audit Coordination
5. Reports Requested by City Council
6. Other Projects

**1. Audits in Progress and New Audit Projects**

The Auditor General performs a detailed risk assessment of the operations of the City and its Agencies, Boards, Commissions and Corporations every five years. The risk assessment process is a quantitative approach to prioritizing City risks, exposures and liabilities. The selection of audit projects through a detailed risk assessment process is a best practice. Such a process allows us to assess the relative importance of potential audit areas and to objectively develop an audit work plan. The last risk assessment was completed in 2009.

The audit projects undertaken in any year is dependent on:

- approval of the Auditor General's 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.

Appendix 2 provides a listing and brief description of audits in progress and new audit projects anticipated for 2011.

**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. Recommendation follow-up is also required by *Government Auditing Standards*.

Over the past number of years, the rate of implementation of audit recommendations has improved significantly throughout the City. In 2005, the implemented recommendations were 70 per cent of the total issued recommendations. In 2010, the implementation rate exceeded 90 per cent of the total issued recommendations.

The Auditor General reports to Audit Committee annually on the implementation status of outstanding recommendations included in previous audit reports. The results of our last follow-up are available at

<http://www.toronto.ca/audit/reports2010.htm>

[http://www.toronto.ca/audit/reports2010\\_june15.htm](http://www.toronto.ca/audit/reports2010_june15.htm)

[http://www.toronto.ca/audit/reports2010\\_june1.htm](http://www.toronto.ca/audit/reports2010_june1.htm)

The next follow-up report to Audit Committee will be presented in mid 2011.

### **3. Investigative Work Related to Allegations of Fraud or Other Wrongdoing**

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 Program.

Investigative work related to fraud or other wrongdoing is a high priority. The number and complexity of reported allegations and complaints vary each year. It is difficult to predict the extent of investigative work that will be required during 2011.

### **4. External Audit Coordination**

The Auditor General's responsibilities include the management, coordination and oversight of the external financial audits of the City, its Agencies, Boards, Commissions and Corporations, the Boards of Management of Community Centres and Committees of Management for Arenas.

The request for proposal for external audit services for audits from 2010 to 2014 for the City and its major ABCCs was issued in November 2009. City Council, at its February 2010 meeting, approved the selection of external auditors for the City and its major Agencies, Boards, Commissions and Corporations for audits from 2010 to 2014. The external auditors for the City Arenas, Community Centres and other Entities (Heritage Toronto, Yonge-Dundas Square, the Toronto Atmospheric Fund and the Clean Air Partnership), for the years 2008 to 2012, were approved by City Council in May 2008.

**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 conduct reviews of City sole source contracts and the filing of election financial statements by members of City Council. The requested reviews were included in our Audit Work Plans and reported accordingly.

**6. Other Projects**

The Auditor General has developed a program known as continuous controls monitoring. In simple terms, specific data extraction software is used to identify, on an ongoing basis, transactions which are unusual. The City's Payroll process has been selected as the first pilot project for the development of continuous control reports.

**AUDITOR GENERAL'S 2011 AUDIT WORK PLAN –  
AUDITS IN PROGRESS AND NEW AUDIT PROJECTS**

**1. AUDITS IN PROGRESS**

The following audit reports are near completion and will be submitted to Audit Committee early in 2011:

- Toronto Police Service – Paid Duty System Review
- Software License Compliance Review
- Review of the Administration of Environmental Grants – Toronto Environment Office
- Controls Over Concession Agreements at Parks, Forestry and Recreation
- Review of Animal Services Division
- Development Funds Review – Section 37 and 45 of the Planning Act
- Operational Review of Landfill Site Operations
- Transportation Services – Review of Winter Maintenance Services
- Review of Red Light Camera Operations

The following reviews commenced late in 2010 and are still in progress. They will be completed during 2011:

<b>Audit Projects</b>	<b>Project Description</b>
Review of controls relating to projects funded through stimulus funding by federal and provincial governments	The City received significant stimulus funding from provincial and federal governments for over 500 infrastructure improvement projects. This review focuses on controls relating to the management of stimulus funding.
Parking Tags Review – Phase II	Phase I of this review, reported in 2010, focused on the collection of parking tag revenues at Revenue Services Division.  The objective of Phase II is to ensure that adequate controls exist in the issuance and cancellation of parking tags at the Parking Enforcement Unit of Toronto Police Services.
Management and Collection of Accounts Receivable	The purpose of this review is to ensure that the City's accounts receivable controls, billing and collection processes are effective.

<b>Audit Projects</b>	<b>Project Description</b>
Review of the City's Environmental Grant and Loan Programs Managed by the Energy Efficiency Office	This review focuses on assessing the adequacy of controls and effectiveness of the City's grant and loan programs to support climate change, clean air, sustainable energy and other environmental initiatives.
Review of billing and collection of building permit fees, zoning bylaws and maps, copies of plans and street damage deposits	This review will focus on adequacy of controls in the collection processes.
Review of Lake Water Cooling Contract	This review will include an evaluation of the management of the City's agreement relating to the Lake Water Cooling Contract.
Review of inventory controls at Transportation Services storage warehouses	Transportation Services has three major warehouses holding inventory of electrical and construction items. Our review will include an evaluation of the adequacy of controls in managing these warehouses.
Review of compliance and enforcement of front yard and boulevard parking	The objective of this review is to evaluate compliance and enforcement practices on residential and commercial front yard and boulevard parking in the City.
Operational review of Toronto Building inspection process	Toronto Building carries out over 150,000 inspections in a year. This review will focus on operational controls of Toronto Building's inspection process.



## 2. NEW AUDIT PROJECTS

The specific scope and terms of reference for these projects have to be finalized.

<b>Audit Project</b>	<b>Project Description</b>
Toronto Community Housing Corporation (TCHC)	As a result of the 2010 audit of procurement processes, TCHC was identified as a priority for additional audits. The exact nature of any audits will be determined following completion of the procurement review.
Operational Review of Municipal Licensing and Standards Investigation Services	This review will focus on the adequacy of controls in processes and systems to support the administration of the investigation services in enforcing compliance with municipal bylaws.
Union Station Revitalization Project	This review will assess the adequacy of controls over the management of the Union Station construction project.
Toronto Transit Commission - Operational Review of Wheel Trans	During the year, there have been a number of issues raised relating to Wheel Trans. However, the extent of the scope of the audit has not yet been determined.
Review of Community Partnership and Investment Program	This review will include an assessment of the program evaluation process for both award of funding and measurement of success in meeting objectives and realizing benefits.
Review of Major City Revenue Streams – Toronto Water Revenue Billing and Collection	<p>This project is part of our ongoing audit of various revenue sources.</p> <p>The objective of the review of Toronto Water Revenue Billing and Collection is to ensure that adequate controls exist in the billing and collection of water revenues.</p>
Review of potential efficiencies and effectiveness of integrating certain of the Citywide Decentralized Services	Decentralized Services include services such as Payroll, Information Technology and Purchasing. This review will focus on opportunities where services can be integrated within the City and its agencies, boards and commissions.

<b>Audit Project</b>	<b>Project Description</b>
Review of 311 Call Centre Operations	This audit will review the efficiency and effectiveness of 311 Call Centre Operations including management, customer service and benchmarking.
Operational Review of Golf Course Operations	This audit will include the review of efficiency and effectiveness of Golf Course Operations.
Review of eService Technology Infrastructure	This audit will include controls in management of eService projects and the extent to which they support the City's eService infrastructure.
Review of Financial Planning, Analysis, and Reporting System Project (FPARS)	This review will focus on controls in the management of the FPARS project implementation. Our review will include management of consulting contracts and related deliverables.
Review of EMS Operational controls over Payroll and Scheduling	This review will focus on the adequacy of controls with respect to staff scheduling, management of attendance and payroll.
Review of Storage Warehouses	The Purchasing & Materials Management Division manages six storage warehouses at different locations throughout the City. This review will evaluate potential effectiveness and efficiencies from rationalization of warehouse space.
Review of Bus Shelter Media Advertising Contract	This review will focus on compliance of the bus shelter media contract terms. It will also evaluate controls on collection of revenues by the City.
Evaluate Long Term Use of Consultants	This review will focus on consultants hired by the City.
Review of Parking Revenue Controls at Exhibition Place	This review will include an evaluation of controls over the collection of Parking revenue at Exhibition Place.
Review of Cash Control Practices over Bank Deposits in Parks Forestry and Recreation	This review will focus on controls and processes at certain selected collection points in Parks, Forestry and Recreation. The specific scope of review will be determined during the preliminary survey phase of this review.

<b>Audit Project</b>	<b>Project Description</b>
Review of Energy Retrofit Program at Community Centres and Arenas	The energy retrofit program involves funding through energy cost savings resulting from the retrofits. This review will evaluate management of the program and processes with respect to measuring of savings at the community centres and arenas.
Accuracy and Timeliness of updating employee leaving status in City's Financial System	This audit will include review of processes involved in updating employee status in the City's financial system (SAP) to ensure final payments are accurate.
Operational Review of Facilities & Real Estate's Appraisal Services Unit.	This will include review of policies, procedures and practices used in providing appraisal reviews and comparative studies on development projects, sale of surplus land and City's property.
Social Services	This review will focus on compliance with policies.
Follow-up on Outstanding Recommendations from Previous Audit Reports	Our annual review of the implementation status of outstanding audit recommendations from previous audit reports issued to the City and its Agencies, Boards, Commissions and Corporations.

**AUDITOR GENERAL'S OFFICE**  
**AUDIT REPORTS 2006 - 2010**

The following is a representative listing of audit projects completed in order to address 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 – 2010:

- Administration of Development Funds, Parkland Levies and Education Development Charges
- Administration of Municipal Land Transfer Tax, Revenue Services Division
- Review of the City SAP Competency Centre
- Auditor General's Status Report on Outstanding Audit Recommendations for City Divisions
- Management of Capital Project 129 Peter Street – Shelter, Support and Housing Administration, Facilities Management and Real Estate Divisions
- Parks, Forestry and Recreation – Review of Internal Controls at the East York Curling Club
- Insurance and Risk Management
- Parks, Forestry and Recreation Division - Controls Over Ferry Service Revenue Need Strengthening
- Governance and Management of City Wireless Technology Needs Improvement
- Controls Over Parking Tags Needs Strengthening
- Auditor General's Office – Forensic Unit Status Report On Outstanding Recommendations

Agencies, Boards, Commissions and Corporations – Audit Reports – 2010:

- Procurement Policies and Procedures – Toronto Community Housing Corporation
- Toronto Zoo Construction Contracts Review – Tundra Project
- Police Training, Opportunities for Improvement, Toronto Police Service – Follow up Review
- Follow-up Review of the Investigation of Sexual Assaults – Toronto Police Service
- Employee Expense Practices – Toronto Community Housing Corporation

City Audit Reports – 2006 - 2009:

- City Purchasing Card (PCard) Program
- Effectively Managing the Recruitment of Non-Union Employees
- Payment of Utility Charges
- Review of Information Technology Training

- Process for Non-Competitive (Sole Source) Procurement
- Review of Disposal of Surplus IT Equipment – Security, Environmental and Financial Risks
- Parks, Forestry and Recreation - Capital Program
- Annual Reports – Fraud and Waste Hotline
- Review of Management and Oversight of the Integrated Business Management System
- Maintenance and Administration of City Property Leases Review – Facilities and Real Estate
- Social Services Overpayment Reviews
- Review of Day Care Fees and Subsidies
- Audit of City Performance in Achieving Access, Equity and Human Rights Goals
- Management of City Information Technology Assets
- Fire Services Operational Review
- Various Contract Compliance Reviews including City's Construction Contracts
- Homes-for-the-Aged – Residents Fees and Trust Funds Review
- Pandemic Preparedness Review
- Committee of Adjustment Review
- Election Compliance Review
- Councillor and Staff Expenses Review
- Internet Usage Review
- Water Quality Review
- Review of Wastewater Treatment Program
- Review of the City's Disaster Recovery Plan
- Employee Benefits Review
- Review of Toronto Water Works and Emergency Services Contracts
- Review of Certain Affordable Housing Projects

Agencies, Boards, Commissions and Corporations Audit Reports – 2006 – 2009:

- Toronto Parking Authority Pay and Display Parking Operations – Review of Revenue, Expenditure and Procurement Practices
- Court Services – Operational Review – Toronto Police Service
- Review of Police Training – Toronto Police Service
- Review of the Investigation of Sexual Assaults – Toronto Police Service
- Fleet Review – Toronto Police Service
- Fines and Income Review – Toronto Public Library
- The Management of Information Technology Projects – Toronto Transit Commission

**AUDITOR GENERAL'S OFFICE  
FUTURE POTENTIAL AUDITS**

The following projects represent audits planned for future years. Specific details and audit scope will be determined during the planning of each audit.

- Hostel Services – controls over purchase of service contracts
- Transportation Services – roads maintenance contract management
- Toronto Water – contract management, major infrastructure projects
- Information Technology – review of asset management
- Information Technology – review of access controls
- Toronto Transit Commission – review of payroll processing
- Toronto Transit Commission – review of major construction contracts
- Transportation Services – review of the maintenance of traffic control operations
- Social Housing – review of application/subsidy process
- City Operated Child Care Centres
- Review of Affordable Housing Projects
- Information Technology – review of various projects including the use of consultants
- Solid Waste Management – review of various contracts
- Payroll processing including controls over overtime – various City divisions
- Purchasing and Accounts Payable Review