



AUDITOR GENERAL'S REPORT INFORMATION ONLY

Reporting Practices of the Auditor General

Date:	April 26, 2011
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

This report responds to Council's request at its meeting of March 8 and 9, 2011 concerning the reporting practices of the Auditor General. This report addresses the protocol for reports issued to City Divisions, Agencies, Boards and Commissions and City controlled Corporations.

The reporting practices of the Auditor General are well established, have been in existence since the setting up of the Auditor General's Office and are consistent with all major government audit organizations including the Auditor General of Canada and the Provincial Auditor General of Ontario.

Financial Impact

This report has no direct financial implication.

DECISION HISTORY

City Council on March 8 and 9, 2011 in considering the 2010 Annual Report – Fraud and Waste Hotline, adopted the following:

“City Council request the Auditor General to review reporting practices related to the Fraud and Waste Hotline to ensure, to the best of his ability, that proper process is being followed, that leaks to media do not occur that may jeopardize due process, and that the reporting process is not impacted by undue political pressures; and that a report on this matter be submitted to the Audit Committee as soon as possible”.

In addition, at the same meeting in considering the report from the Auditor General entitled “The Audit Committee – Roles and Responsibilities”, adopted the following:

“City Council request the Auditor General, in consultation with the City Manager, to review and report to the Audit Committee on the current protocols with respect to the transmission of Auditor General reports and make any recommendations for changes that would reduce the possibility of reports being made public prior to consideration by the Audit Committee”.

COMMENTS

Reporting Process and Protocol

The reporting protocol adopted by the Auditor General is well established and has been in existence since the inception of the Office in 2002. A similar practice exists at the Office of the Auditor General of Canada, the Office of the Auditor General of Ontario, as well as certain other provincial Auditor General offices throughout Canada and most local government auditors in North America. Reporting protocols are outlined in the Auditor General’s Policies and Procedures Manual.

In general terms, the audit reporting protocol is as follows:

- At the completion of the audit field work, the audit team and the Director meet with senior staff of the entity being audited at a formal exit meeting. Depending on the nature and extent of the audit findings, the Auditor General may also attend the exit meeting. The purpose of the exit meeting is to discuss preliminary audit findings and proposed recommendations.
- Subsequent to the exit meeting the audit team, with the ongoing input of the Director and the Auditor General, produces a preliminary draft report which is reviewed by the Director.
- Once all questions and any outstanding audit work identified by the Director have been addressed, a draft report is provided to the Auditor General. Audit staff and the Director review the draft report with the Auditor General.
- Subsequent to review by the Auditor General, a draft report is forwarded to the management of the entity being audited. The report is always clearly marked “Draft” and in the case of City related reports is usually forwarded to the General Manager of the entity being audited. The further distribution of the report is at the discretion of the General Manager as necessary to enable the preparation of management responses. We also understand that draft reports relating to City operations are usually distributed by management to the Internal Audit Unit of the City Manager’s Office. Reports pertaining to the City’s Agencies, Boards, Commissions and City controlled Corporations are submitted to the most senior member of the organization.

- The entity being audited has two weeks to respond to the content of the draft report and the recommendations contained in the report.
- On the receipt of written management comments, the audit report is finalized and forwarded to management. Management then has one week to finalize their response to the recommendations. Management responses to recommendations are attached to all audit reports and the report is forwarded to the City Clerk's Office for distribution to the Audit Committee. In cases where a report relates to a City Agency, Board, Commission or City controlled Corporation, the same process is followed except that the report is forwarded to the Secretary of the respective Board for formal submission to the Board.
- The reporting process for public reports pertaining to the Fraud and Waste Hotline is similar to the process for audit reports.
- Subsequent to submission to the City Clerk's Office or the appropriate Secretary for printing and distribution, audit reports become public documents prior to being dealt with by the Audit Committee and the appropriate Board.

CONCLUSION

In general terms, the basis of the reporting practices is a requirement that draft reports be forwarded to the management of the entity being audited. In actual fact government auditing standards state that:

“Providing a draft report with findings for review and comment by responsible officials of the audited entity and others helps the auditors to develop a report that is fair, complete, and objective. Including the views of responsible officials results in a report that presents not only the auditors findings, conclusions, and recommendations, but also the perspectives of the responsible officials of the audited entity and the corrective actions they plan to take.”

The Auditor General's Office has been the subject of two separate independent peer reviews by external audit organizations. The purpose of such peer reviews are to ensure that the office is in compliance with generally accepted government auditing standards.

The latest peer review report indicating that the Auditor General is in compliance with Government Auditing Standards is located at:

http://www.toronto.ca/audit/reports2009_sub4.htm

Once draft reports are issued to the audited entity the further distribution of such reports to third parties by the audited entity is out of the control of the Auditor General. Other than a specific request to the audited entity by the Auditor General that the distribution of such draft reports be restricted, there is no guarantee that reports will not be forwarded to external third parties.

City Council in its request for a report on the Auditor General's reporting process made reference to the fact that the Auditor General be requested to review reporting practices related to the Fraud and Waste Hotline to "ensure to the best of his ability, that proper process is being followed, that leaks to the media do not occur that may jeopardize the process, and that the reporting process is not impacted by undue political pressures." In regards to "proper process is being followed" the process adopted by the Auditor General is a generally accepted professional practice and under no circumstances has anything other than "proper process" been followed since the establishment of the Auditor General's Office.

In regard to "leaks to the media", it is the firm and unreserved contention of the Auditor General that any recent leaks which have occurred have not originated from the Auditor General's Office. Staff from the Auditor General's Office are professionals and are all bound by the ethical requirements and standards of the professional bodies to which they belong.

Once draft reports are issued to the entities being audited, it is extremely difficult for the Auditor General to control the further distribution of these draft reports. The recent example of the leak of the confidential report of the Auditor General of Canada clearly indicates that this is not an issue restricted to the City's Auditor General.

Nevertheless, the apparent recent leak of two draft reports is a major concern of the Auditor General. Even though access to the Auditor General's Office is restricted the Auditor General has requested that corporate security review current access levels to his Office. Further, in regard to the leak of a draft report relating to the Police Services Board, the Auditor General has formally requested the Chief of Police to conduct an investigation into the source of the leak.

In regard to ensuring that the "reporting process is not impacted by undue political pressures", the Auditor General has never considered this to be an issue due to the independent role of the Office. As an independent accountability officer of the Corporation, the Auditor General is bound by Chapter 3 of the City of Toronto Municipal Code and the provisions of the City of Toronto Act. The provisions of the Toronto Municipal Code Chapter 3 require that "an accountability officer carries out in an independent manner the duties of his or her office." The Toronto Municipal Code further requires that "The Auditor General shall disclose to Council any attempts at interference with the work of the Auditor General's Office". Any attempt to exert "undue political pressures" on the audit work of this Office would be reported to Council immediately.

CONTACT

Jeff Griffiths, Auditor General

Tel: 416-392-8461, Fax: 416-392-3754, E-mail: Jeff.Griffiths@toronto.ca

SIGNATURE

Jeff Griffiths, Auditor General