



AUDITOR GENERAL'S REPORT ACTION REQUIRED

2012 Audit Work Plan

Date:	November 4, 2011
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

The purpose of this report is to provide City Council with details of the Auditor General's 2012 Audit Work Plan. The 2012 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 2012 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. The 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.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council receive the Auditor General's 2012 Audit Work Plan.

Financial Impact

The recommendation in this report has no financial impact beyond the amount provided in the Auditor General's 2012 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 an 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 2012.

The Work Plan is dependent on the approval of the Auditor General’s budget as previously submitted.

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 2012.

COMMENTS

The Auditor General’s 2012 Audit Work Plan contains details of audit projects planned during the year. Some audits will not be completed during 2012, as they will commence later in the year and will not be completed until 2013.

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 2012 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.

CONTACT

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

Jerry Shaubel, Director, Auditor General’s Office
Tel: 416-392-8462; Fax: 416-392-3754; E-mail: jshaubel@toronto.ca

SIGNATURE

Jeff Griffiths, Auditor General
10-AAS-02

ATTACHMENTS

- Appendix 1: Auditor General's 2012 Audit Work Plan – Summary
- Appendix 2: Auditor General's 2012 Audit Work Plan – Audits in Progress and New Audit Projects
- Appendix 3: Auditor General's Office, Audit Reports 2007 – 2011
- Appendix 4: Auditor General's Office, Future Potential Audits

AUDITOR GENERAL'S 2012 AUDIT WORK PLAN - SUMMARY

The Auditor General's 2012 Audit Work Plan contains details of audit projects planned for the year. Certain of these projects will not be completed in 2012 due to the fact that they will commence late in 2012 and consequently will not be finalized until 2013.

The projects included in the 2012 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 or by Agencies, Boards and Commissions
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. Such a process allows the Auditor General 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. There were 56 high risk areas identified during the risk assessment. So far, we have completed our review on approximately 40 per cent of high risk areas identified. Our plan is to complete reviews in most of the high risk areas by the end of 2014.

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 2012.

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*.

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/2011/recommendationsjune10.pdf>
<http://www.toronto.ca/audit/reports2011-abc.htm>

The next follow-up report to Audit Committee will be presented in mid 2012.

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 Councillors and 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 2012.

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 existing five-year contract for external audit services for the audit of the City and its major Agencies, Boards, Commissions and Corporations will expire in 2014. This contract was approved by City Council, at its February 2010 meeting. The contract for the external audit of the City Arenas, Community Centres and other Entities (Heritage Toronto, Yonge-Dundas Square, the Toronto Atmospheric Fund and the Clean Air Partnership), will end with the completion of the 2012 audit. A request for proposal for the period 2013 to 2017 will be issued in late 2012.

5. Reports Requested by City Council or by Agencies, Boards and Commissions

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. In addition, the Toronto Police Services Board requested a review of the Toronto Police Service Integrated Records and Information System. 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 was selected as the first pilot project for the development of continuous control reports. The Auditor General's Office plans to extend continuous controls monitoring to other areas, such as, purchasing and accounts payable during the next two years.

**AUDITOR GENERAL'S 2012 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 2012:

- Toronto Community Housing Corporation (TCHC)
 - Housing Services Inc. procurement and expenses review
 - TCHC – Governance Review
 - TCHC fleet and other expenses review
- Review of compliance and enforcement of front yard and boulevard parking
- Review of billing and collection of building permit fees
- Review of inventory controls at Transportation Services storage warehouses
- Monitoring and Control of Accounts Receivable
- Review of Bus Shelter Media Advertising Contract
- Review of Financial Planning, Analysis, and Reporting System Project (FPARS)
- Optimization of Storage Warehouses review
- Review of 311 Toronto Information Technology Contract and related procurement issues

The following reviews commenced late in 2011 and are still in progress. They will be completed during 2012:

Audit Projects	Project Description
Operational review of Toronto Building inspection process	This review will focus on operational controls of Toronto Building's inspection process.
Operational Review of Municipal Licensing and Standards Investigation Services	This review will focus on the adequacy of controls and systems to support the administration of the investigation services in enforcing compliance with municipal bylaws.
Toronto Transit Commission - Operational Review of Wheel Trans	This project is in its planning stage and the extent of the scope of the audit has not yet been determined.
Union Station Revitalization Project	This review will assess the adequacy of controls over the management of the Union Station construction project.
Operational Review of Golf Course Operations	This audit will include the review of the efficiency and effectiveness of Golf Course Operations.

Audit Projects	Project Description
Review of eService Technology Infrastructure	This audit will include controls in the management of eService projects and the extent to which they support the City's eService infrastructure.
Review of Energy Retrofit Program at Community Centres and Arenas	The energy retrofit program is funded 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.
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.
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 related to reporting of income by the social assistance recipients.
Use of Consulting Services	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.

2. NEW AUDIT PROJECTS

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

Audit Project	Project Description
Operational Review of Children Services	The scope of the audit will likely include the eligibility approval process.

Audit Project	Project Description
St. Lawrence Market Operational Review	This audit will include a review of operations of the St. Lawrence Market.
Audit of Accounts payable	This review will include an assessment of controls in processing payments to vendors for goods and services purchased by the City.
Review of efficiency and effectiveness of Service Agreements at Employment and Social Services Division	Review of the contracts with various service providers and monitoring of related performance.
Review of Construction Contracts - City Divisions and/or ABCC's	This audit will focus on selected construction contracts and will review contract award, monitoring, payment and contract completion process. This audit will also include review of controls in monitoring warranties and ensuring that procedures exist to identify deficiencies during the warranty period and that the City is not charged for work that is covered under warranty.
Operational review of Fire Services Division	This review will focus on Fire Services fleet acquisition, utilization and maintenance.
Transportation Services - Summer Road Maintenance	Transportation services undertake major construction and renovation projects. This audit will focus on selected contracts and will review contract award, monitoring, payment and contract completion process. Our review will also include cost of utility cuts and review if they were recoverable from third parties.
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.
Development of a System for Continuous Controls Monitoring Reports	The purpose of this project is to develop certain key control monitoring reports using data analysis tools to identify significant emerging trends, prevent, and detect fraud. We plan to extend continuous controls monitoring to purchasing and accounts payable during next two years.

AUDITOR GENERAL'S OFFICE
AUDIT REPORTS 2007 - 2011

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 – 2011:

- Review of Animal Services Division
- The Deep Lake Water Cooling Project – Total City Costs and Benefits Need to be Reported
- Review of 311 Call Centre Operations
- Management Reports on Review of Parks, Forestry and Recreation Revenue Controls, and Terminated Employees Records Review
- Review of Infrastructure Stimulus Funding - Opportunities Exist to Improve Controls over Construction Projects
- Continuous Controls Monitoring - Employee Overtime
- Amend Provincial Legislation to Improve Efficiencies and Increase Revenues
- Remote Access to the City's Computer Network - The Management of the Process Requires Improvement
- Red Light Camera Program
- Disposal of Digital Photocopiers - Protection of Sensitive and Confidential Data Needs Strengthening
- Transportation Services - Review of Winter Maintenance Services
- City Planning Division - Community Benefits Secured Under Section 37 or 45 of the Planning Act
- Facilities Management Division Energy Efficiency Office - Management of Energy Loans and Grants Funded by the Ontario Power Authority
- Review of the Management and Funding for Inactive Landfill Sites
- Parks, Forestry and Recreation Division - Concession Agreements Review
- Toronto Environment Office - Review of Administration of Environmental Grants
- Governance and Management of City Computer Software
- Outstanding Audit Recommendations for City Divisions
- Outstanding Audit Recommendations for City Agencies, Boards and Commissions
- Outstanding Audit Recommendations Pertaining to Forensic Unit Investigations

Agencies, Boards, Commissions and Corporations – Audit Reports – 2011:

- Toronto Police Service, Parking Enforcement Review
- Toronto Community Housing Corporation – Procurement Policies and Procedures
- Toronto Community Housing Corporation – Controls Over Employee Expenses

- Toronto Police Service, Police Paid Duty – Balancing Cost Effectiveness and Public Safety
- Toronto Police Service - Review of Integrated Records and Information System

City Audit Reports – 2007 - 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
- Auditor General’s Status Report on Outstanding Audit Recommendations for City Agencies, Boards and Commissions
- 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
- Governance and Management of City Wireless Technology
- Controls Over Parking Tags
- 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
- Social Services Overpayment Reviews
- Review of Day Care Fees and Subsidies
- Audit of City Performance in Achieving Access, Equity and Human Rights Goals
- Various Contract Compliance Reviews including City's Construction Contracts
- 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 – 2007 – 2010:

- Toronto Zoo Construction Contracts Review – Tundra Project
- Follow-up Review of the Investigation of Sexual Assaults – Toronto Police Service
- 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
- 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.

- Toronto Transit Commission – review of payroll processing
- Toronto Transit Commission – review of major construction contracts
- Toronto Transit Commission – management of information technology projects
- Operational review of Long Term Care Homes
- Management of construction warranties
- Operation of Pelletizer Plant at Ashbridges Bay Wastewater Treatment Plant
- Post-implementation audit of awarded contracts – assessment of diversion targets achieved, customer service levels, cost savings, etc.
- Hostel Services – controls over purchase of service contracts
- Toronto Water – contract management, major infrastructure projects
- Information Technology – review of asset management
- Information Technology – review of access controls
- 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
- Purchasing Review
- Long Term Disability Benefits and Sick Leaves review