



**Presentation to the Audit Committee
February 29, 2012**

**2011 ANNUAL REPORT REQUESTED BY
THE AUDIT COMMITTEE**

**DEMONSTRATING THE VALUE OF THE
AUDITOR GENERAL'S OFFICE**

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DEMONSTRATING THE VALUE OF THE AUDITOR GENERAL'S OFFICE

AGENDA

- Annual Reporting Requirements
- Impact of Auditor General Function in Other Jurisdictions
- Purpose of Report
- Projected Savings
- Non-Quantifiable Benefits
- Conclusion





POLICY FRAMEWORK FOR TORONTO'S ACCOUNTABILITY OFFICERS

Approved by Council in 2009:

“The officers will report annually to City Council on the activities of their office and discharge of their duties. Consistent with current practice, the Auditor General will report annually to City Council through Audit Committee on work conducted, savings achieved, and other matters.”



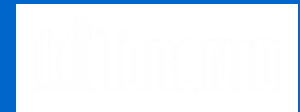


ANNUAL REPORTS

Since 2002 – Annual Fraud Report

Since 2004 – The Value of the AG's Office

In addition, a detailed budget report is also submitted to Audit Committee annually





AUDIT COMMITTEE REQUEST

Audit Committee in 2004 requested the Auditor General to “provide the value added of his department by identifying:

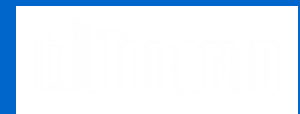
- Actual dollar savings
- Potential savings
- At risk dollars, and
- For non-identifiable dollar activities, the impact of the audit review on those items.”





OTHER AG OFFICES IN CANADA

- Ottawa
- Halifax
- Winnipeg
- Sudbury
- Windsor
- Edmonton
- Calgary
- Montreal
- Markham
- Oshawa

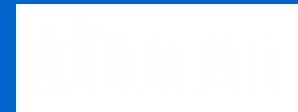




OTHER AG JURISDICTIONS

British Columbia – unique concept

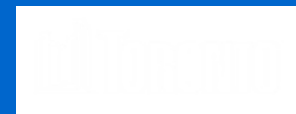
- Province recently introduced the Auditor General for Local Government Act
- Provides for creation by the Province of an independent Auditor General for local government
- Auditor General has jurisdiction over all local governments in the Province
- Has the same mandate as City of Toronto AG





PURPOSE OF THIS REPORT

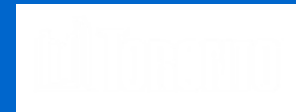
- Identifies estimated cost savings and revenue increases from audit reports issued between 2007 and 2011
- Savings from reports issued prior to 2007 are not included
- Recurring cost savings are only projected for 5 years even though savings in many cases extend beyond 5 years
- Identifies non-quantifiable benefits





AUDITOR GENERAL – ACHIEVEMENTS 2007 - 2011

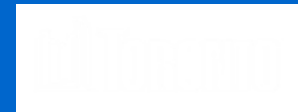
- Completed 82 performance audits.
- Provided 682 audit recommendations along with an annual follow-up process.
- Handled over 3,200 complaints to the Fraud and Waste Hotline. Many of these complaints contain more than one allegation. Individual complaints are tracked but not allegations.
- We estimate the number of allegations to be in the range of 5,300.





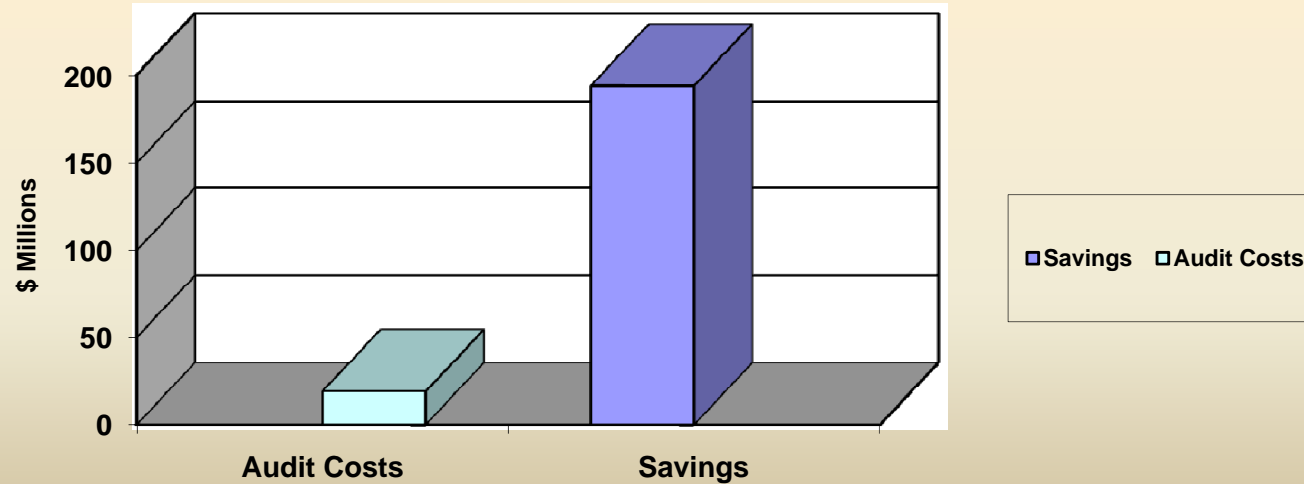
ONE-TIME AND PROJECTED SAVINGS 2007-2011

- Since 2007, one-time and projected 5-year savings are approximately \$194 million
- Cumulative operating costs of the AG's Office since 2007 are approximately \$19 million
- The savings are conservative





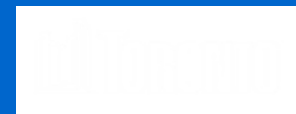
ESTIMATED \$10 SAVINGS FOR EVERY DOLLAR INVESTED IN THE OFFICE





2011 REPORTS WITH QUANTIFIABLE 5-YEAR SAVINGS:

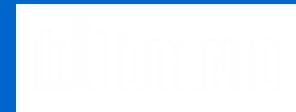
- Police Paid Duty Review (\$7.5 million)
- Red Light Camera Program Review (\$7 million)
- Parking Enforcement Review (\$12.7 million)
- Animal Services Review (\$6.0 million)





PREVIOUSLY ISSUED REPORTS WITH SAVINGS REALIZED IN 2011 PROJECTED OVER 5 YEARS:

- Employee Benefits Review, 2007 (\$54 million)
- TCHC Procurement Review, 2010 (\$30 million)
- Insurance and Risk Management Review, 2010 (\$1.7 million)
- Controls Over Parking Tags, 2010 (\$1.7 million)





COMMON THEME IN AUDIT REPORTS

Significant financial benefits from consolidating City and ABCC functions and services

Examples:

- Facilities and Real Estate – Maintenance and Administrative Controls Review, 2005
- The Management of City Information Technology Assets, 2006
- Toronto Police Service – Review of the Enterprise Case and Occurrence Processing System, 2006
- The Management of Information Technology Projects – Toronto Transit Commission, 2008
- Toronto Community Housing Corporation – Procurement Policies and Procedures Are Not Being Followed





OTHER NON-QUANTIFIABLE BENEFITS

- Impact of Divisional recommendations across the City and ABCCs
- Continuous Controls Monitoring
- Coordination with external audit jurisdictions, particularly the Province of Ontario
- Impact of recommendations on corporate governance and oversight
- Other unanticipated benefits

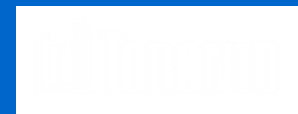




AUDIT IMPACT ON TCHC CORPORATE GOVERNANCE AND OVERSIGHT

Since the issue of our reports:

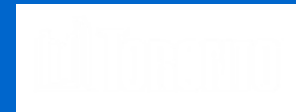
- Created an independent Audit Function
- More active and structured Corporate Affairs and Audit Committee with an appropriate mandate





AUDIT IMPACT ON TCHC CORPORATE GOVERNANCE AND OVERSIGHT

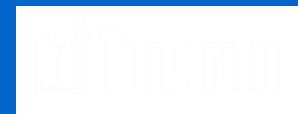
- Revised its Policies for
 - Expenses
 - Purchasing Cards
 - Cash Advances
 - Procurement
 - Fleet
- Appointed a Senior Director of Strategic Procurement
- Created a Fraud Prevention Directive
- Launched a “Do What’s Right Hotline”





AUDIT IMPACT ON TCHC CORPORATE GOVERNANCE AND OVERSIGHT

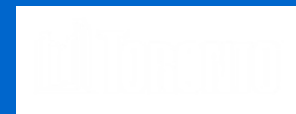
- Reviewed Employee Expenses Resulting in:
 - 55 Disciplinary Letters
 - 2 Employee Suspensions
 - 3 Terminations





EXAMPLES OF 2011 REPORTS WITH NON-QUANTIFIABLE FINANCIAL BENEFITS:

- Review of 311 Toronto
- Protecting Whistleblowers from Retribution
- Winter Maintenance Services Review
- Review of Administration of Environmental Grants
- Review of City Computer Software Management
- Review of the Management and Funding for Inactive Landfill Sites





CONCLUSION

The Auditor General's role is not exclusively related to cost savings:

- Address internal control weaknesses
- Improve operational efficiencies

Important to appreciate both financial and non-financial audit benefits

