



AUDITOR GENERAL'S REPORT ACTION REQUIRED

Annual Independent Compliance Audit – Auditor General's Office

Date:	June 15, 2012
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

In 2009 City Council approved a report entitled “A Policy Framework for Toronto’s Accountability Officers”. The Policy Framework supports the appropriate balance of independence in the Officers’ decision making processes and accountability to Council for the management of their offices, and their performance in fulfilling their mandates.

The Policy Framework requires that “*Consistent with the current audit requirement for the Auditor General, the accountability officers will undergo an annual compliance audit by an external auditor, appointed by and reporting to City Council. The annual compliance audit will provide Council assurance the officers are carrying out their operations within delegated authorities and in compliance with applicable City by-laws and policies.*”

The independent annual compliance audit of the Auditor General’s Office by the external auditor Hilborn Ellis Grant LLP is anticipated to be submitted to the July 3, 2012 meeting of the Audit Committee.

RECOMMENDATIONS

The Auditor General recommends that:

1. This report be forwarded to City Council for information.

Financial Impact

The recommendations in this report have no financial impact.

DECISION HISTORY

The Policy Framework for the Accountability Officers was adopted by City Council at its meeting on April 29 and 30, 2009.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.EX31.1>

ISSUE BACKGROUND

In 2009, a “Policy Framework for Toronto’s Accountability Officers” was approved by City Council. The specific requirement of the Framework in regard to annual reporting to Council states that:

“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.”

The Auditor General has issued annual reports to City Council as follows:

- Auditor General’s Office – Demonstrating the Value of the Auditor General’s Office
- Annual Report – Fraud and Waste Hotline

In addition to the annual reports, the Policy Framework requires that *“the accountability officers will undergo an annual compliance audit by an external auditor, appointed by and reporting to City Council. The annual compliance audit will provide Council assurance the officers are carrying out their operations within delegated authorities and in compliance with applicable City by-laws and policies.”*

The City Manager’s Office facilitated the request for proposals process in regard to the appointment of external auditors. The City Manager recommended the firm of Hilborn Ellis Grant LLP be appointed as external auditors.

COMMENTS

The objective of the external audit as outlined in the report of Hilborn Ellis Grant LLP was *“to obtain assurance that expenditures incurred by the Auditor General’s Office of the City of Toronto (AGO) are in compliance with the applicable policies and procedures, including appropriate exercise of delegated authorities as set by the City of Toronto.”*

Hilborn Ellis Grant LLP, in response to the above objective, indicates on page 3 of their report that *“we found no exceptions to the adherence to the policies, procedures and delegated authorities as they applied to our test sample.”*

Further, the Appendix to the Hilborn Ellis Grant LLP report has provided an itemized list of:

- (1) Sole Source Purchasing Activity; and
- (2) Annual Consulting Services Expenditures.

Comments on each of the above are as follows:

The sole source amount of \$3,836 represents the annual license renewal fee pertaining to audit data mining software. The software is provided by an organization called ACL Services Limited and was acquired a number of years ago. The sole source amount of \$67.51 represents the HST on the license renewal fee.

One third of the sole source expenditure is recoverable from the City Manager’s Office due to the fact that the Auditor General’s Office has made available to the Internal Audit Division the use of this software.

The annual consulting services expenditures relates to a request from the Toronto Transit Commission, in connection with a contract compliance review of a number of TTC accessible taxi service contracts. At its August 23, 2010 Commission meeting *“it was agreed that the Auditor General’s Office would arrange to hire and pay for the aforementioned legal services subject to full reimbursement by the TTC.”* The full amount of these costs has since been reimbursed by the TTC.

CONTACT

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SIGNATURE

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