

AUDITOR GENERAL'S REPORT

**2012 Annual Report Requested
By the Audit Committee**

**Demonstrating the Value of
the Auditor General's Office**

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EXECUTIVE SUMMARY

Annual Reporting By the Auditor General

City Council requires Accountability Officers to report annually

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 specific requirement of the Policy 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.”

Auditor General provides various annual reports to Council

Prior to the approval of the Policy Framework, the practice of the Auditor General has been to issue annual reports as follows:

- Auditor General’s Office - Benefits to the City of Toronto
- Annual Report - Fraud and Waste Hotline

In addition, the annual budget submission of the Auditor General’s Office contains significant financial and operational information on the administration of the Office.

This report was requested by the Audit Committee in 2004

The report entitled “Demonstrating the Value of the Auditor General’s Office” formerly entitled “Benefits to the City of Toronto” was specifically required by the Audit Committee in 2004. The Committee requested that the Auditor General provide on an annual basis the “*value added of his department by identifying:*

- a. actual dollar savings to the City of Toronto;*
- b. potential savings to the City of Toronto;*
- c. at risk dollars to the City of Toronto; and*
- d. for non-identifiable dollar activities, the impact of the audit review on those items.”*

This report responds to the specific request of the Audit Committee.

The Responsibilities of the Auditor General Under the City of Toronto Act

City of Toronto Act and the Auditor General

The *City of Toronto Act*, 2006, Section 177 provides for the appointment of an Auditor General. Under Section 178 of the *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.”

The Auditor General’s reviews may identify cost savings and revenue increases

In fulfilling this mandate, the Auditor General performs various reviews of City divisions, agencies and corporations often identifying opportunities for cost savings or revenue increases. The cost savings or revenue increases may be one-time or ongoing.

Recommendations relating to improving controls are important but benefits may not be quantifiable

The identification of cost savings and increased revenues is only one component of the role of the Auditor General. Equally important is the ongoing evaluation of internal controls, risk management and governance processes in order to ensure that City resources are adequately protected. Recommendations relating to improving internal controls and the quality of stewardship over public funds are an important part of the Auditor General’s work. However, benefits from audit work of this nature may not be quantifiable in financial terms.

Return on Investment for the Office

Report identifies cost savings and revenue increases

This report identifies estimated cost savings and revenue increases relating to audit reports issued during the five-year period from 2008 to 2012. Cost savings and revenue increases from audit reports issued prior to 2008 are not included in this report, even though these amounts are significant.

Projected savings are for five years only

As indicated previously, cost savings or revenue increases may be one-time or ongoing. For the purpose of this report, we have projected ongoing cost savings or revenue increases for a five-year time period only. In most cases, cost savings or revenue increases extend far beyond that time frame.

Estimated \$11 savings for every dollar invested in the Auditor General's Office

Since 2008, the one-time and projected five-year cost savings and revenue increases are approximately \$209 million. The total costs of operating the Auditor General's Office for the five years 2008 to 2012 have been \$19.1 million. Consequently, the return on every dollar invested in the Auditor General's Office was approximately \$11.

These savings are conservative. As indicated the savings only relate to reports issued since 2008 and are only extended for a five-year time period.

Financial Benefits Realized in 2012

Savings identified in 2012 totalled approximately \$39 million for the next five years

On a go forward basis, we estimate that the savings identified in 2012 will benefit the City over the next five years by a total of approximately \$39 million.

Two 2012 audit reports have quantifiable financial savings at the time of report issuance

Two performance audits completed in 2012 have financial benefits that could be quantified at the time of report issuance. These two audits are:

- Toronto Community Housing Corporation Fleet Management
- Front Yard and Boulevard Parking

Other 2012 audit reports such as the review of Wheel-Trans Services will likely result in financial benefits when the audit recommendations are implemented. However, the extent of the savings cannot be determined at this time and are not included in this annual report.

In addition to cost savings from reports issued in 2012, additional savings were reported by management in 2012 as a result of implementing recommendations contained in audit reports issued prior to 2012. These savings were undeterminable at the time the audit reports were issued and consequently were not included in previous annual reports.

Seven previously issued reports were identified to have resulted in additional savings

In 2012 additional savings were noted from seven previously issued audit reports:

- Review of Sewer Use By-law, 2008
- Insurance and Risk Management Review, 2010
- Municipal Land Transfer Tax, 2010
- Toronto Community Housing Corporation Employee Expenses, 2011
- Community Benefits Secured Under Section 37 or 45 of the Planning Act, 2011
- Police Paid Duty, 2011
- Confidential report

Recently initiated audit monitoring process resulted in financial savings

In 2012, the Auditor General also issued three reports on the results of its continuous controls monitoring process. The report on City overtime and mileage expenses has resulted in annual recurring financial benefits to the City.

Moreover, as a result of investigations of fraud related matters by the Auditor General's Fraud and Waste Hotline, one-time and annual cost reductions for the City were identified in 2012.

Details of these audit reports/activities and cost savings and revenue increases in 2012 are provided in the body of this report.

Other Savings and Benefits

- **Cumulative Long Term Financial Benefits**

This report does not include savings realized before 2008

The current saving estimates are based on audit reports issued between 2008 and 2012. Consequently, any ongoing savings identified by the Auditor General prior to 2008 are not included in the current saving estimates even though many of these savings are of continuing benefit to the City. For instance, our 2001 review of the selection and hiring of consultants resulted in annualized cost savings of \$2 million, and our 2006 review of Toronto Fire Services identified cost savings of \$2 million per year.

- **Non-Quantifiable Benefits**

(1) Impact of Recommendations on Corporate Governance and Oversight

Improvements to corporate governance and customer services are important but difficult to quantify in financial terms

Many of the Auditor General's recommendations have not resulted in direct financial benefits but have led to improvements relating to:

- internal controls
- policies and procedures
- the use of City resources
- operational efficiencies
- financial reporting processes
- level of customer services
- avoidance of future costs.

For example, the Auditor General issued two separate reports in 2011 pertaining to the Toronto Community Housing Corporation (TCHC). The reports have resulted in significant changes to the day-to-day operating environment at the TCHC. The benefits of these changes have profound and far-reaching effects that cannot be quantified in financial terms.

In 2012 the Auditor General conducted a review of the TCHC's oversight of subsidiaries and other business interests. While the extent of potential cost savings is not determinable at this time, the audit highlighted a number of fundamental issues in TCHC's governance structure.

(2) Impact of Divisional Recommendations Across the City and its Agencies and Corporations

City agencies and corporations may realize financial benefits when implementing recommendations addressed to City divisions

Many audit reports contain recommendations pertaining to specific City divisions. However, the recommendations may also be relevant to the City's agencies and corporations. Where one of our reports contains recommendations that in our view are applicable to other city entities, we recommend the report be forwarded to the City's agencies and corporations in order to ensure that the issues raised are addressed by them where appropriate.

The extent of any resulting benefits and cost savings at these other entities is undeterminable and consequently not reflected in this report. In some cases these savings are likely significant.

(3) Coordination with the Ontario Provincial Auditor General

Close relationship with Provincial Auditor General

The Auditor General has a close working relationship with the Provincial Auditor General and as such communication between both parties has led to financial benefits not only in Toronto but across Ontario. For example, when the City became aware of the suspected abuse of the Special Needs Diet Allowance in the welfare system the City Auditor General discussed this matter with the Provincial Auditor General particularly as this matter had an Ontario wide impact. As a result, the Provincial Auditor General addressed these concerns in his audit of the Ontario Works Program and the matter was highlighted in his annual report. Following the issue of the Provincial Auditor General's annual report, the Province is reviewing the whole area of special needs diet allowance. Reduced costs throughout Ontario will likely occur as a result of this work. Consequently, on an Ontario-wide basis these savings are likely significant.

Shared Services Review

Auditor General has for many years been promoting shared services

The issue of the consolidation of various administrative and operational functions throughout the City and its agencies and corporations has been raised many times by the Auditor General. Opportunities for consolidation have been identified in the following areas:

- Financial information systems
- Information Technology
- Human Resources
- Procurement
- Legal Services
- Audit Services
- Accounting including payroll
- Fleet
- Real Estate Management

Specific recommendations made by the Auditor General relating to the consolidation of various functions throughout the City are provided in Exhibit 3 to this report.

To reiterate the importance and potential benefits of service consolidation, the Auditor General in November 2011 issued a report entitled “Previous Audit Reports – Common Themes and Issues”.

Opportunities for cost savings from shared services were not previously realized

In regard to the potential for consolidation at the agency and corporation level, the response from senior management for the most part has revolved around City staff not having authority over operations at these entities. Consequently, for the most part, the City has adopted a “hands off” approach when dealing with its agencies and corporations in spite of the fact that there are significant opportunities for cost savings.

KPMG conducting shared services efficiency study

KPMG LLP are currently conducting a Shared Service Efficiency Study which will likely identify cost savings in a number of areas. The recommendations contained in Exhibit 3 were shared with KPMG.

While the City will always benefit from an independent third-party review of its services and functions, it should not lose sight of the consolidation opportunities that have already been identified in previous audits by the Auditor General.

We appreciate that implementation of audit recommendations frequently requires additional efforts by management and substantial changes to existing organizational structure and process. However, when the recommended changes are implemented, the City is likely to realize significant long-term savings. For instance, our recent audits of Toronto Community Housing Corporation (TCHC) have resulted in:

Significant savings have been realized by TCHC after implementing audit recommendations

- Annual savings of \$6 million by obtaining goods through City stores
- Annual savings of \$0.5 million from transferring management of TCHC’s fleet to the City

Timely implementation of audit recommendations, particularly those regarding consolidating functions/services, will result in significant savings to the City.

Proactive Risk Mitigation

Discussions held in relation to issues identified in the Charbonneau inquiry

Finally, the Auditor General as part of his responsibility identifies potential and emerging risks. In this context, discussions have been held with the Auditor General from Montreal regarding proceedings at the ongoing Charbonneau inquiry. The Charbonneau Commission was established to review the awarding and management of public contracts in the construction industry. Information regarding proceedings at the inquiry has been shared with the Auditor General and follow-up discussions and meetings will take place over the next month or so with the Auditor General of the City of Montreal.

Conclusion

The role of the Auditor General is not specifically to identify cost savings. Although cost savings are often a direct result of the work conducted by audit staff, of equal importance is the work conducted to safeguard City resources, address internal control weaknesses, and ensure proper use of public funds. It is also important to appreciate that certain non-financial audit reports have significant long-term benefits to the City.

1.0 BACKGROUND

1.1 Annual Report Requested by the Audit Committee

Annual report requested by Audit Committee

At its meeting of November 23, 2004, the Audit Committee:

“requested the Auditor General to provide the value added of his department by identifying:

- a. actual dollar savings to the City of Toronto;*
- b. potential savings to the City of Toronto;*
- c. at risk dollars to the City of Toronto; and*
- d. for non-identifiable dollar activities, the impact of the audit review on those items.”*

This report responds to that request and represents the Auditor General’s annual update on the benefits to the City from the completion of various audits. Highlights of 2012 audit reports and related estimated savings to the City are included in this report.

Cost savings estimates are based on a five-year period

Estimates of cost savings provided in this report are based on audits performed during the five-year period from January 1, 2008 to December 31, 2012. The use of a five-year period for benefit estimates is consistent with the reporting of a number of large government audit organizations.

Cost savings identified prior to 2008 are not included in this report

This report does not include the cost savings generated by the Auditor General's Office from the date of amalgamation, January 1, 1998, through to December 31, 2007. The financial benefits relating to these years have previously been reported to Audit Committee and Council. These reports are available at:

http://www.toronto.ca/audit/2008/audit_reports_benefits_to_city_staff_report_jan2008.pdf

http://www.toronto.ca/audit/2007/audit_reports_benefits_to_the_city_annual_update_may_2007.pdf

http://www.toronto.ca/audit/2006/benefits_city_annual_update_feb2006.pdf

<http://www.toronto.ca/audit/2005/benefits.pdf>

2.0 THE AUDITOR GENERAL'S OFFICE

2.1 The Responsibilities of the Auditor General Under the City of Toronto Act

Audit is an independent, objective process to improve governance and controls

The audit process is an independent, objective assurance activity designed to add value and improve an organization's operations. The audit process assists in accomplishing this objective by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

Auditor General reports to Council

The Auditor General's Office was established in order to report directly to, and provide assurance strictly for, City Council. The *City of Toronto Act, 2006* did not change this role.

***Authority under
the City of
Toronto Act***

The *City of Toronto Act, 2006* provides the Auditor General with the authority to conduct financial, operational, compliance, information systems, forensic and other special reviews of City divisions and local boards (restricted definition). Local boards (restricted definition) means a local board other than the Toronto Police Services Board, the Toronto Public Library and the Toronto Board of Health. The Auditor General is able to conduct audits of these entities as long as the respective Boards approve of such audits.

Under Section 178 of the *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.”

Specific responsibilities of the Auditor General are set out in Chapter 3 of the Toronto Municipal Code which includes:

***Divisional audit
projects***

- Conducting audit projects identified by the Auditor General, or approved by a two-thirds majority resolution of City Council

***Fraud
investigations***

- Conducting forensic investigations, including suspected fraudulent activities

***Manage the Fraud
and Waste Hotline***

- Managing the Fraud and Waste Hotline Program, including the referral of issues to divisional management

***Audit of agencies
and corporations***

- Undertaking financial (excluding attest), compliance and performance audits and provide recommendations to City-controlled agencies and corporations
- Undertaking financial (excluding attest), compliance and performance audits and provide recommendations upon request by the Toronto Police Services Board, Toronto Public Library Board and the Toronto Board of Health

***Oversee external
audit contract***

- Overseeing the work and the contract of the external auditors performing financial statement/attest audits of the City and its local boards

***Coordination with
Internal Audit
Division***

- Coordinating audit activities with the City Manager’s Internal Audit Division to ensure the efficient and effective use of audit resources

***Coordination with
Accountability
Officers***

- Coordinating activities with the City’s three other Accountability Officers: the Ombudsman, the Lobbyist Registrar and the Integrity Commissioner

2.2 Professional Standards

***Audits conducted
in accordance with
Government
Auditing
Standards***

The Auditor General’s Office conducts its work in accordance with generally accepted Government Auditing Standards. These standards relate to:

- independence
- objectivity
- professional proficiency
- scope
- performance of work.

These standards require that the Auditor General plans and performs audits to obtain sufficient, appropriate evidence that provides a reasonable basis for the findings and conclusions based on audit objectives.

Audit staff are also bound by the standards and ethics of their respective professional organizations, which include the Canadian Institute of Chartered Accountants, the Certified General Accountants Association, the Society of Management Accountants, the Information Systems Audit and Control Association, the Association of Certified Fraud Examiners, and the Institute of Internal Auditors.

2.3 Independent Quality Assurance Review of the Auditor General’s Office

***Government
Auditing
Standards require
an independent
review***

Government Auditing Standards require that audit organizations performing audits in accordance with Generally Accepted Government Auditing Standards undergo an external independent quality assurance review every three years. The objective of a quality assurance review is to determine whether an audit organization’s internal quality control system is in place and operating effectively. Such a review provides assurance that established policies and procedures and applicable auditing standards are being followed.

Auditor General's Office received the highest rating possible in its third quality assurance review in 2012

The Auditor General's Office underwent its third quality assurance review in 2012. The Auditor General received an "unqualified opinion" for the review. An "unqualified opinion" is the highest rating possible and indicates that audit work is conducted in accordance with Generally Accepted Government Auditing Standards.

A written opinion letter and a management letter were issued by representatives from the Association of Local Government Auditors (ALGA), an independent professional body which conducts a significant number of quality assurance reviews throughout the U.S.

The 2012 External Quality Assurance Review and ALGA letters are available at:

<http://www1.toronto.ca/wps/portal/toronto/content?vnextoid=4058f58c18921310VgnVCM1000003dd60f89RCRD&vnextchannel=7fa797cd50930310VgnVCM1000003dd60f89RCRD&vnextfmt=default>

Quality assurance team provided positive commentary on the Office

The external quality assurance report highlighted the areas where the reviewers believe the Auditor General's Office excels including:

- The extensive Risk Assessment process the Office conducts to develop the five-year risk assessment and audit plans. The process includes: detailed analyses of the criteria and overall consideration of past audit work.
- The audit staff has a strong set of certifications and qualifications and tackles complex audit topics.
- The organization of audit work papers and well-developed quality control process, including checklists and supervisory review at various steps help ensure audit standards are followed and audit quality is achieved.

2.4 Annual Compliance Audit

Annual audit completed by independent audit firm

The Auditor General's Office is required to undergo an annual compliance audit by an external independent audit firm. The annual compliance report for the year ended December 31, 2011 is available at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getDecisionDocumentReport&meetingId=5916>

The external auditors reviewed a sample of transactions and came to the conclusion that "*As a result of applying the above procedures, we found no exceptions to the adherence to the policies, procedures and delegated authorities as they applied to our test sample.*"

2.5 Annual Work Plan

Submits annual audit work plan to City Council for information

On an annual basis, the Auditor General submits an audit work plan for the upcoming year to City Council for information. The 2013 Audit Work Plan and revised Appendix 1 were received by the City Council at its November 27, 2012 meeting. The work plan provides an overview of how resources allocated to the Auditor General's Office will be used in 2013.

The development of the work plan is the sole responsibility of the Auditor General and is not subject to approval by City Council.

The 2013 Audit Work Plan is available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.AU9.4>

Other factors impact work plan such as Hotline complaints and concerns of Council

When selecting audit projects, the Auditor General attempts to balance audit work that will identify opportunities for cost reductions, increased revenues, enhanced efficiency and effectiveness of municipal services, and improvements in major control systems. Complaints received through the Fraud and Waste Hotline Program and concerns of City Council are also considered in selecting audit projects.

Finally, the extent of audit projects included in the annual work plan is also a function of available staff resources.

2.6 Audit Recommendations

Provided 719 recommendations the last five years

Since amalgamation in 1998, the then City Auditor and the Auditor General have made over 1,800 audit recommendations. Over the five-year period from 2008 to 2012, the Auditor General has made a total of 719 audit recommendations to City divisions, agencies, and corporations.

Recommendations take into account cost of implementation

The Auditor General, in making audit recommendations, is cognizant of the cost benefit of implementing the recommendations. Careful consideration is given to ensuring that recommendations are relevant, practical and cost-effective. Consequently, there are few instances where management is in disagreement with the recommendations.

How do audit recommendations benefit the City?

Recommendations resulting from reviews, investigations and audits conducted by the Auditor General's Office have benefited the City of Toronto in a variety of ways. Audits have identified ways to:

- increase City revenues, develop new revenue streams, and reduce operating costs
- better manage or utilize City resources, including the management of public funds, personnel, property and equipment
- eliminate inefficiencies in management information systems, internal and administrative procedures, use of resources, allocation of personnel and purchasing policies.

Audits also assist management to:

- safeguard assets
- detect unauthorized acquisitions, use or disposal of assets
- ensure compliance with laws, regulations, policies, procedures or generally accepted industry standards.

2.7 Audits Requested by City Council or by Agencies and Corporations

City Council may request the Auditor General to conduct reviews on areas of concern. 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.

Reviews requested by the Toronto Police Services Board

In addition, the Toronto Police Services Board has, in the past, requested a review of the police paid duty system and the police Integrated Records and Information System. In view of the potential for cost savings and cost avoidance, the Auditor General determined that both projects should be added to his Work Plan and completed the projects in 2011.

More recently, the Toronto Police Services Board has requested a review of police collection of demographic data. This review is included in the Auditor General's 2013 Audit Work Plan.

3.0 DEMONSTRATING THE VALUE OF THE AUDIT FUNCTION

3.1 Quantifiable Financial Benefits

Audit Committee requested financial benefit information

At the request of Audit Committee, we have estimated the extent of the quantifiable financial benefits resulting from the work conducted by the Auditor General's Office.

Issued 88 audit reports and handled over 3,400 complaints to the Hotline over the past 5 years

From January 2008 through to December 2012, the Auditor General's Office completed 88 performance audits providing a total of 719 recommendations. The Office has also handled over 3,400 individual complaints to the Fraud and Waste Hotline over the same five-year period.

In addition, the Auditor General's Office implemented a new continuous controls monitoring process in 2012 and issued three reports on the results of the process.

One benchmark of audit effectiveness is ratio of audit costs to cost savings

In terms of measuring the effectiveness of an audit process, one of the benchmarks used by the audit profession is the ratio of audit costs incurred to the estimated savings generated.

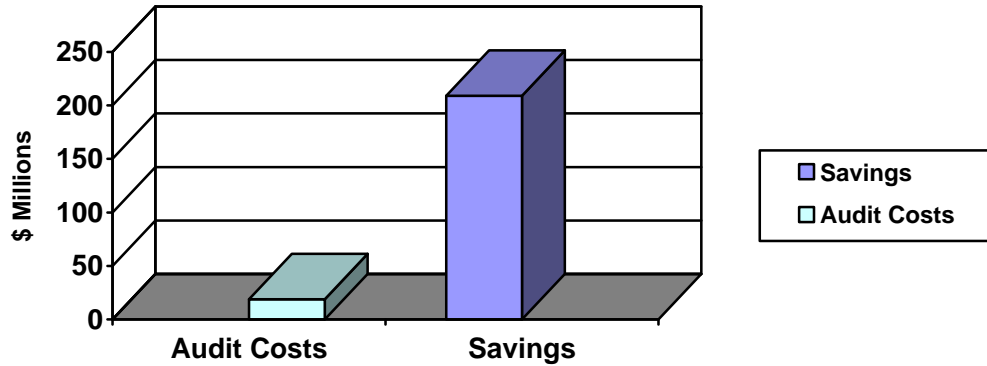
Cost savings over last five years are approximately \$209 million

A comparison of audit costs from 2008 to 2012 to the estimated potential savings is shown in Figure 1. Since 2008, the cumulative audit expenditure has been approximately \$19.1 million and the estimated cost reductions and revenue increases are approximately \$209 million. Many of the cost savings are ongoing and recur annually. The estimated cost savings are projected on a five-year forward basis only, even though the cost savings in most instances will extend beyond five years.

Estimated \$11 return on investment for every \$1 invested in the Office

In simple terms, for every \$1 invested in the Auditor General’s Office the return on this investment has been approximately \$11.

Figure 1: Five Year Estimated Savings Compared to Audit Costs 2008-2012



Cumulative savings by year from 2008-2012

Figure 2 provides a summary of the one-time and five-year projected cumulative savings resulting from audit work conducted from 2008 through 2012.

Figure 2: Summary - Cumulative One-Time and Projected Estimated Savings

ESTIMATED SAVINGS \$000's						
Year of Savings	Year of Audit Report					
	2008 \$	2009 \$	2010 \$	2011 \$	2012 \$	Total \$
2008	716					716
2009	3,545	338				3,883
2010	3,545	335	443			4,323
2011	3,545	628	2,943	798		7,914
2012	3,545	922	4,943	21,629	5,747	36,786
2013	3,545	1,215	4,943	24,379	7,670	41,752
2014		1,537	4,943	25,079	7,570	39,129
2015			4,943	25,629	7,560	38,132
2016				26,079	7,920	33,999
2017					2,461	2,461
Total	\$18,441	\$4,975	\$23,158	\$123,593	\$38,928	\$209,095

The specific audit reports and one-time and recurring savings realized in 2012 are listed in Figure 3 in the following order:

- Savings from audit reports issued prior to 2012
- Savings from audit reports issued in 2012
- Savings from 2012 continuous controls monitoring
- Savings from investigation of fraud related matters

A brief explanation of each audit report and related estimated savings are provided after Figure 3.

***Savings identified
are conservative
estimates***

The estimated savings are based on the amounts identified by management in implementing audit recommendations, or potential revenue increases or cost reductions identified in specific audits. In certain instances the savings were projected based on a range of assumptions. In each case, the amounts listed in Figure 3 have been estimated conservatively.

It is not always possible to quantify all potential cost savings when audit reports are issued. Certain savings are only realized when management has fully implemented the audit recommendations in years subsequent to initial report issuance.

***Additional savings
from seven
previously issued
audit reports***

In 2012 additional savings were noted from seven previously issued audit reports. These additional savings were not included in the Auditor General's previous annual reports, and are therefore added to the current year benefit estimates. Consistent with our method of accounting for recurring annual savings, the new savings identified are projected on a five-year forward basis. These audit reports and estimated savings are detailed in Figure 3.

***Savings from
continuous
controls
monitoring***

In 2012, the Auditor General issued three reports on the results of the continuous controls monitoring process. The estimated savings are shown in Figure 3.

Figure 3: Estimated Savings (\$000's) Realized in 2012 From Reports Issued in 2012 or Prior Years

	2012 One-time	2013 Recurring	2014 Recurring	2015 Recurring	2016 Recurring	2017 Recurring	Total
Audit reports issued prior to 2012							
Sewer Use By-law, 2008		\$740	\$740	\$740	\$740	\$740	\$3,700
Insurance and Risk Management Review, 2010	\$278	\$486	\$486	\$486	\$486		\$2,222
Municipal Land Transfer Tax, 2010	\$55	\$55	\$55	\$55	\$55		\$275
Toronto Community Housing Corporation Employee Expenses, 2011	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000		\$5,000
Community Benefits Secured Under Section 37 or 45 of the Planning Act, 2011	\$120						\$120
Police Paid Duty, 2011		\$500	\$500	\$500	\$500	\$500	\$2,500
Confidential report	\$418	\$418	\$418	\$418	\$418		\$2,090
2012 Audit reports							
Toronto Community Housing Corporation Fleet Management		\$900	\$900	\$900	\$900	\$900	\$4,500
Front Yard and Boulevard Parking	\$100	\$70	\$70	\$70	\$70	\$70	\$450
A Mid-Term Review of the Union Station Revitalization Project		(\$250)	(\$350)	(\$360)			(\$960)
2012 Reports of Continuous Controls Monitoring							
City Overtime and Mileage Expenses	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500		\$17,500
Investigations of Fraud Related Matters	\$276	\$251	\$251	\$251	\$251	\$251	\$1,531
Total	\$5,747	\$7,670	\$7,570	\$7,560	\$7,920	\$2,461	\$38,928

The following section provides a brief overview of each of the reports in Figure 3 and the cost savings information.

Protecting Water Quality and Preventing Pollution – Assessing the Effectiveness of the City’s Sewer Use By-law, Toronto Water, 2008

Toronto Water charges a fee (a surcharge) to industries that exceed allowable discharge limits for certain treatable pollutants. The intent of the fee is to recover additional costs incurred by Toronto Water to treat the discharged water. The rate used to determine surcharge fees had not been amended for over 10 years.

The audit report recommended, among other things, that Toronto Water review the surcharge rate to ensure costs are being recovered. Toronto Water has completed the necessary supporting work to implement this recommendation and reported to Public Works and Infrastructure Committee in October 2012.

The staff report can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.PW18.1>

Increase in annual revenue of \$740,000 from improving cost recovery for water surcharge rates

The staff report recommended full cost recovery, phased in over six years, projecting that this would increase annual revenue \$3.6 million. The Committee amended the staff recommendation and this was approved by Council in November 2012. As a result annual revenue will increase by approximately \$740,000 per year.

The audit report is available at:

http://www.toronto.ca/audit/2008/city_sewers_appendix_june2008.pdf

Insurance and Risk Management Review, Finance Division, 2010

Increasing the amount of insurance adjusting work done by in-house staff results in \$278,000 per year in savings

The audit report recommended that “*The Director, Corporate Finance, review the current fee structure arrangement with the adjuster in order to determine whether or not there would be cost savings in minimizing flat fee charges.*”

In addressing the recommendation, the Insurance & Risk Management Section determined that savings could be achieved by having City staff perform certain work currently done by the external adjuster.

Currently 129 claim files have been brought in-house for examination duties. This resulted in a \$278,640 reduction in annual adjusting fees. Staff indicated that additional capacity exists to bring more claim files in-house such that annual savings will increase to \$486,000 in 2013.

The audit report is available at:

http://www.toronto.ca/audit/2010/audit_report_april26.pdf

Administration of Municipal Land Transfer Tax, Revenue Services Division, 2010

The audit report recommended that *“The Deputy City Manager and Chief Financial Officer consider the possibility of recovering staff costs relating to the processing of manual rebate and refund applications on electronically registered conveyances.”*

Annual revenue of \$55,000 from recovering costs relating to manual processing

As a result of the audit recommendation, City Council approved a user fee of \$150 effective June 2011 for processing manual refunds on electronically registered conveyances. A total of \$25,500 has been levied in the first six months. The annualized revenue increases are estimated to be approximately \$55,000 based on 366 transactions per year.

The audit report is available at:

http://www.toronto.ca/audit/2010/appendix1_june16.pdf

Toronto Community Housing Corporation – Controls Over Employee Expenses Are Ineffective, 2011

Additional savings of \$1 million annually from increased scrutiny of employee expenses

In response to the audit report and recommendations, the Chief Executive Officer of the Housing Corporation indicated that expenses of the nature identified in the audit report would be discontinued. At the time, it was estimated that the action had the potential to save at least \$200,000 on an annual basis. Based on work performed during our follow-up of audit recommendations, we determined that closer scrutiny of employee expenses as well as improved controls have resulted in additional savings of approximately \$1 million annually.

The audit report is available at:

<http://www.toronto.ca/audit/2011/employeeexpense-feb25.pdf>

Community Benefits Secured Under Section 37 or 45 of the Planning Act, City Planning Division, 2011

The audit report recommended that *“The Chief Planner assess the status of community benefits secured to date under Sections 37 and 45 of the Planning Act to provide an appropriate level of assurance that all cash and non-cash benefits due have been received.”*

One-time payment of \$120,000 was recovered

In response to the audit recommendation, City Planning staff investigated outstanding Section 37 and Section 45 funds which were due but with no records of payments. Staff identified one development dated back to 2004 where a negotiated cash benefit of \$120,000 had not been received. Full payment of the Section 45 obligation was submitted on April 2, 2012.

The audit report is available at:

<http://www.toronto.ca/audit/2011/community-benefitsmarch31.pdf>

Police Paid Duty – Balancing Cost Effectiveness and Public Safety, 2011

The Toronto Police Service operates a paid duty system whereby off-duty police officers can be hired by organizations and individuals to perform certain police duties. The audit highlighted the importance of reviewing City permit criteria to ensure paid duty policing is required only when necessary. In response to the audit recommendation to develop more effective permit criteria, staff developed new “Guidelines for Road Occupancy and Traffic Control”.

Additional \$0.5 million annual savings from implementing more effective permit criteria

Staff initially estimated that the new Guidelines would result in an annual savings of \$1.3 million for three City divisions in 2012. In an October 2012 report to the Public Works and Infrastructure Committee, staff indicated that City divisions would save approximately \$1.8 million annually which is \$0.5 million over the previous saving estimate.

The audit report is available at:

<http://www.toronto.ca/audit/2011/policeservice-mar23.pdf>

Toronto Community Housing Corporation Fleet Management – Lack of Oversight Has Led to Control Deficiencies, 2012

The audit report recommended that *“The Chief Executive Officer, in consultation with the City Manager, evaluate the advantages of transferring the central management of the fleet operations at both Toronto Community Housing Corporation and Housing Services Inc. to the City. Prior to any transfer taking place the recommendations contained in this report be addressed.”*

In response to the audit recommendation, City and TCHC staff indicated in an October 2012 report to the Government Management Committee that “*the City and the Toronto Community Housing Corporation (TCHC) have agreed that the City of Toronto should take over management of and assume ownership of TCHC’s fleet and its subsidiary, Housing Services Inc.*”

The staff report is available at:

<http://www.toronto.ca/legdocs/mmis/2012/gm/bgrd/backgroundfile-51662.pdf>

Staff estimated that the proposed transfer of ownership and management of TCHC fleet to the City could realize approximately \$2.6 million savings in Operating and Capital expenses over a five-year period, or \$520,000 annualized savings.

Changes to the size and management of TCHC fleet result in annual savings of \$900,000

In addition, following a fleet needs analysis, TCHC decided to reduce its fleet by 30 vehicles. This will result in approximately \$380,000 annual savings in operating and capital expenses. As a result of the fleet reduction and the transfer of TCHC fleet management to the City savings are estimated to be \$900,000 annually commencing 2013.

The audit report is available at:

http://www.toronto.ca/audit/2012/tchc_fleet_management_6feb2012.pdf

Front Yard and Boulevard Parking – Improvements Needed to Enhance Program Effectiveness, Transportation Services Division, 2012

The audit identified a number of cost saving opportunities relating to the enforcement and revenue collection process for the front yard and boulevard parking program. These cost saving opportunities are:

Potential one-time savings of \$100,000 from strictly enforcing the By-law

- Estimated one-time savings of \$100,000 in 2012 by enforcing the City By-law on parking fee collection on a timely basis
- Annual savings of \$60,000 from improving collection efforts going forward thus reducing the need for account write offs
- Annual savings of \$10,000 from strengthening accounting for and control of unused licence plates.

In addition, we estimated that had interest been charged on overdue accounts in accordance with City policy, interest income of \$81,000 could have been earned. This revenue has been lost since it cannot be collected retroactively. The report recommends charging interest on overdue accounts on a go forward basis. This \$81,000 lost revenue is not included in the estimated savings in Figure 3.

The audit report is available at:

http://www.toronto.ca/audit/2012/front_yard_parking_7feb2012.pdf

A Mid-Term Review of the Union Station Revitalization: Managing Risks in a Highly Complex Multi-Year, Multi-State, Multi-Million Dollar Project, Facilities Management Division, 2012

The objective of this review was to assess the adequacy of management controls with respect to the Union Station Revitalization to ensure:

- Project achieves value for money
- Sound stewardship of project funds is demonstrated
- Accountability for project outcomes is transparent
- Outcomes are achieved within time and cost constraints

Project budget is \$665 million

In December 2009 construction related activities for the Union Station revitalization were initiated with completion targeted for the end of 2016. The project has an approved budget of \$665 million with total expenditures to March 31, 2012 of \$172 million.

This audit was conducted mid-project rather than close to completion of construction. The intention was to identify areas where additional or strengthened controls could provide a greater likelihood of completion on time and on budget.

The review identified opportunities to enhance the quality of reporting as well as strengthening controls, accountability and the overall effectiveness of contract management.

Additional resources needed to enhance project controls

In response to audit recommendations to improve controls, additional staff are being hired to ensure project documentation is appropriately maintained and reviewed. This will help ensure the project will be completed on time and within budget.

The additional costs are estimated to be in the range of \$350,000 on an annualized basis over three years beginning in the first quarter of 2013.

The audit report is available at:

http://www.toronto.ca/audit/2012/Mid-Term_Review_Union_Station_Revitalization_Oct_2_2012_Web.pdf

Continuous Controls Monitoring

New audit monitoring process to identify financial transactions on an ongoing basis

In 2011, the Auditor General commenced a continuous controls monitoring process to identify, on an ongoing basis, financial transactions that warrant further examination. The process, using specialized data extraction software, was first applied to analyze employee overtime and other payroll related expenses in 2011.

Since implementing the process in 2011, there has been steady decreases in City overtime and mileage expenses. Figure 4 outlines the staff overtime and mileage payments from 2010 to 2012.

Figure 4: Staff overtime and mileage payments (\$million), 2010 to 2012

	2010	2011	2012
Overtime	\$45.0	\$41.0	\$38.8
Mileage	\$4.2	\$3.9	\$3.4
Total	\$49.2	\$44.9	\$42.2

Total \$7 million reduction in staff overtime and mileage expenses since 2010

Between 2010 and 2012, there has been a \$7 million reduction in overtime and mileage expenses. It is difficult to determine the precise amount of cost reduction that is attributable to the Auditor General's continuous controls monitoring process. Nonetheless, we estimate the process has likely contributed half of the decrease in these expenses.

Additional savings are anticipated for TTC overtime and related expenses

In July 2012, at the request of the Toronto Transit Commission, a continuous controls monitoring process was implemented for TTC employee overtime and related expenses. A report on the outcomes of the process was issued in 2012, and any resulting cost reduction will be monitored and reported on a go forward basis.

The 2012 issued reports on results of the continuous controls monitoring are available at:

http://www.toronto.ca/audit/2012/continuous_control_monitoring_overtime_7feb2012.pdf

<http://www.toronto.ca/audit/2012/OvertimeAndRelatedExpenses-ContinuousControlsMonitoringJuly122012.pdf>

http://www.toronto.ca/audit/2012/Continuous_Control_Monitoring_Overtime_and_Mileage_Sept_10_%202012.pdf

3.2 2012 Reports with Non-Financial Benefits or Financial Benefits Not Determinable at the Time of Report Issuance

Audit reports identify quantifiable cost savings and non-financial benefits

The purpose of any audit process is not specifically to identify cost reductions or revenue increases, although we often select audit projects with the intent of realizing such results.

Better internal control and operational efficiencies may have no immediate or direct financial benefit

Many of the recommendations by the Auditor General's Office have not resulted in direct financial benefits but have led to improvements relating to:

- internal controls
- policies and procedures
- the use of City resources
- operational efficiencies
- financial reporting processes
- level of customer services
- avoidance of future costs.

Certain financial benefits are not determinable at the time of report issuance

In addition, certain audit reports contain recommendations that can potentially lead to financial savings, but the extent of the savings is not determinable until the recommendations are implemented by management.

All audit reports issued in 2012 are on the Auditor General's web site:

<http://www1.toronto.ca/wps/portal/toronto/landing?vnextoid=0428aac904140310VgnVCM1000003dd60f89RCRD>

The following are examples of 2012 audit reports where the benefits are either non-financial in nature or the financial benefits were not determinable at the time when the reports were issued.

Review of Wheel-Trans Services – Sustaining Level and Quality of Service Requires Changes to the Program, Toronto Transit Commission

This was the Auditor General's first review of the Wheel-Trans Program, operated by the Toronto Transit Commission (TTC). The Program provides door-to-door accessible transit services for people with mobility difficulties. In 2011 the Program provided approximately 2.7 million door-to-door trips to over 41,000 registrants through accessible buses and contracted taxis.

Two significant cost saving opportunities were identified

To address the rising operating costs, from \$60 million in 2006 to \$97 million in 2012, the audit identified two significant cost saving opportunities without impacting service level:

- Allowing Wheel-Trans customers to ride free on the conventional accessible transit system on a voluntary basis. The City can potentially realize \$4.4 million annual savings even if only five per cent of Wheel-Trans trips are diverted to the conventional system.
- Reducing contracted taxi costs, totalling \$33 million in 2011, by ensuring competitive bidding on price components and re-structuring contractor management fees during the upcoming procurement process.

Enhancing eligibility assessment helps ensure the resources are used by persons requiring the services

In addition, to ensure Wheel-Trans resources are used by persons who require the door-to-door transit services, the audit highlighted the need to enhance the current eligibility assessment process by requiring applicants to provide a medical certification as part of the application process. The audit also provided a number of recommendations to improve the call center efficiency without incurring additional costs.

Adoption of audit recommendations is pending

The audit report and recommendations were presented to the TTC at its December 19, 2012 meeting. Adoption of the report recommendations is pending further decisions by the TTC in 2013.

The audit report is available at:
<http://www.toronto.ca/audit/2012/Wheel-Trans-Sustaining-Level-and-Quality.pdf>

The City and Toronto Community Housing Corporation Needs to Strengthen its Oversight of Subsidiaries and Other Business Interests, Toronto Community Housing Corporation

Report highlighted fundamental governance issues

The audit report outlined a number of issues regarding the governance structure of Toronto Community Housing Corporation (TCHC). The reporting of financial results of TCHC's subsidiary companies to both TCHC and the City was found to be inadequate and in some cases non-existent. Finally, a review of the potential for cost savings and efficiencies through consolidation and coordination of certain TCHC and subsidiary activities was recommended.

Extent of cost savings is not determinable at this time

The recommendations in this report addressed a number of fundamental issues regarding the TCHC governance structure. The extent of any potential cost savings resulting from implementing the recommendations in this report is not determinable at this time.

The audit report is available at:

http://www.toronto.ca/audit/2012/city_tchc_strengthen_oversight_3feb2012.pdf

Review of Coordinated Street Furniture Contract – Public Realm Section, Transportation Services Division

The objective of the audit was to assess the adequacy and effectiveness of controls and processes for the management and administration of the Coordinated Street Furniture Program.

The City awarded Astral Media the Coordinated Street Furniture Contract

In July 2007, the City awarded a 20 year contract to Astral Media Outdoor LP to design, manufacture, install, maintain and repair City street furniture. In exchange, the City allows Astral Media to sell a limited amount of advertising space on a number of bus shelters and information pillars. Over the 20 year term of the agreement, the City will receive guaranteed revenues of over \$428 million and Astral Media will provide over 25,600 items of street furniture such as bus shelters and benches.

While management controls have been effective in ensuring compliance with contract financial terms, the review identified opportunities for improvement in a number of areas including:

Key areas for improvement

- Provide periodic status reports on the implementation of the Street Furniture Program
- Develop a program performance measurement system
- Strengthen street furniture maintenance monitoring and reporting system
- Ensure Astral Media provides adequate reporting on maintenance activities
- Maximize the City's entitlement to free national advertising

The audit report is available at :

http://www.toronto.ca/audit/2012/street_furniture_contract_3feb2012.pdf

Review of the Management of the City's Divisional Accounts Receivable, Accounting Services Division

Audit focused on divisional practices for billing and collecting revenue owed the City

The audit objective was to assess divisional practices for billing and collecting revenue owed the City. Accounts receivable are generated through service related fees such as recreational program registration fees, park facility rentals, rent for properties administered by Facilities Management, and street and road allowance fees collected by Transportation Services. The audit did not include the management of property tax and water billing receivables.

Improve oversight by establishing a single point of authority for managing accounts receivable

The audit recommended improving oversight by establishing a single point of authority to ensure a City-wide program exists to consistently manage account receivables. The audit also provided recommendations for updating related policies and procedures, improving the integrity and availability of management information, and strengthening controls over collection activity and system access.

Recommendations will strengthen controls, improve efficiency and increase revenues

Addressing the recommendations in the report will strengthen controls, improve efficiency and accountability, and potentially result in increased revenues, reduced write-offs, and cost savings.

The audit report is available at:

[http://www.toronto.ca/audit/2012/ManagementofCity'sDivisionalAccountsReceivable\(WEB\).pdf](http://www.toronto.ca/audit/2012/ManagementofCity'sDivisionalAccountsReceivable(WEB).pdf)

Improving Reporting and Monitoring of Employee Benefits

Collecting, monitoring and analyzing data on complaints received through the Fraud and Waste Hotline Program helps to identify areas of concern and issues that can point to more systemic problems, trends and emerging risk areas. For example, in 2011 and 2012 we continued to receive complaints of alleged benefit fraud and allegations respecting the eligibility of certain employees on Long Term Disability (LTD). Such complaints are forwarded to Manulife through the City's Pension Payroll and Employee Benefits Division for investigation and the results are reported back to the Auditor General's Office for review.

Improved reporting by Manulife was recommended

In view of the complaints and allegations, the Auditor General's Office initiated discussions with City staff and Manulife, the City's benefit administrator. The Auditor General's Office identified a need to improve Manulife's reporting to the City with respect to investigations of suspected or actual incidents of fraud by employees or their dependants.

As a result, in 2012 the Auditor General issued a report entitled "Improving Reporting and Monitoring of Employee Benefits" which included two recommendations to improve reporting by providing statistical data and reports relating to suspected and actual incidents of benefit fraud. This information would also enable the City to assess the performance of the benefit administrator.

The audit report is available at:

[http://www.toronto.ca/audit/2012/MonitoringofEmployeeBenefitsJune12,2012\(WEB\).pdf](http://www.toronto.ca/audit/2012/MonitoringofEmployeeBenefitsJune12,2012(WEB).pdf)

Review of the Management of the City's Golf Courses, Parks, Forestry and Recreation Division

The objectives of this review were to identify opportunities to increase revenues or reduce expenses, and assess the adequacy of the management of City golf courses.

Audit highlighted the need for a long term strategic plan

The central theme of this report is the need for a long term strategic business and marketing plan to address declining golf course participation. The plan needs to address a range of issues which are outlined in the report.

Current trend in declining net revenues must be arrested

The current method of conducting business needs to be re-evaluated and more emphasis placed on marketing City golf courses. If the current trend in declining net revenue is not arrested, golf course operations will become a burden on the taxpayer.

The audit report provides nine recommendations to strengthen oversight and improve the City's opportunity to maximize potential revenue from the operation of City golf courses.

The audit report is available at:
http://www.toronto.ca/audit/2012/Management_of_City's_Golf_Courses_Sep_25_2012_Web.pdf

3.3 Previously Issued Reports with Cumulative Long-Term Financial Benefits

This report does not include savings realized before 2008

The savings estimates included in this report are based on audit reports issued between 2008 and 2012. Consequently, any ongoing savings identified by the Auditor General prior to 2008 are not included in the current estimated savings even though many of these savings are of continuing benefit to the City.

Examples of pre-2008 reports and potential annual recurring cost savings are:

Examples of recurring annual cost savings identified prior to 2008

Police Overtime Review, 2000	\$1,400,000
Parking Enforcement Unit Review, 2000	\$1,200,000
Selection and Hiring of Consultants, 2001	\$2,000,000
Toronto Parking Authority, 2002	\$1,900,000
Review of SAP Implementation, 2003	\$670,000
Hostel Operations Review, 2004	\$810,000
Management of Construction Contracts- Reconstruction Queensway Eastbound Lanes, 2006	\$2,000,000
Operational Review – Toronto Fire Services, 2006	\$2,000,000
Review of Police Training – Opportunities for Improvement, 2007	\$1,200,000

Reports issued by the Auditor General from 2008 to 2012 are listed in Exhibits 1 and 2 of this report. All reports issued by the Auditor General can be viewed at:

<http://www1.toronto.ca/wps/portal/toronto/landing?vgnextoid=0428aac904140310VgnVCM1000003dd60f89RCRD>

3.4 Previously Issued Audit Reports with Far Reaching but Unquantifiable Benefits

Certain audit reports issued prior to 2012 continue to have far reaching but unquantifiable benefits to the City. Examples of these audit reports are:

- **Review of the Investigation of Sexual Assaults – Toronto Police Service, 1999**

*Far reaching
impact on sexual
assault
investigative
procedures*

The review was conducted at the request of City Council in response to the successful civil case of Jane Doe versus the Commissioners of Police of the then Municipality of Metropolitan Toronto. The audit has resulted in major changes to police investigative procedures for sexual assault. The report also received significant media attention, and an unprecedented level of interest expressed by the North American audit community as well as a number of police services in both the US and Canada including the Royal Canadian Mounted Police. The Royal Canadian Mounted Police in fact indicated that they would use the report “*as a guide for investigations and training.*”

The audit report is available at:

<http://www.toronto.ca/audit/1999/102599.pdf>

- **Procurement Process Review – City of Toronto, 2003**

*Strengthened
control over the
City’s
procurement
practices*

The audit was prominent in the “Good Government” phase of the Toronto Computer Leasing Inquiry. The report contained 43 recommendations, certain of which have resulted in long-term cost savings and strengthened control over procurement practices in the City.

One of the recommendations pertained to the appointment of a Fairness Commissioner for the oversight of controversial or complex tenders (a recommendation which was reiterated by Madame Justice Bellamy in her 2005 report). The potential savings as a result of this particular recommendation are likely significant but not quantifiable.

The audit report is available at:

http://www.toronto.ca/audit/reports2003_sub1.htm

- **Protecting Water Quality and Preventing Pollution – Assessing the Effectiveness of the City’s Sewer Use By-Law, Toronto Water, 2008**

More effective protection of water quality and pollution prevention

The audit focus was on protecting the environment through more effective monitoring of the City’s Sewer Use By-law. Implementation of the 22 recommendations in this audit report will result in improved staff productivity and better use of information technology. The development of an overall inspection plan and review of pollution prevention plans will help ensure that the City’s environmental goals are achieved.

This audit report is available at:
http://www.toronto.ca/audit/2008/city_sewers_appendix_june2008.pdf

- **Process for Non-Competitive Procurement (Sole Sourcing) Needs Improvement, 2009**

Improvements to the reporting and processing of sole source purchases

Implementation of the audit recommendations in this report have improved the sole source procurement process and assisted management in ensuring that all sole source purchases are reported accurately to Council, facilitate compliance with purchasing rules, and generate cost savings by minimizing non-competitive procurement.

This audit report is available at:
http://www.toronto.ca/audit/reports2009_sub8.htm

4.0 FOLLOW-UP ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS

Benefits of auditing depend on implementation of audit recommendations

The responsibility of the Auditor General’s Office in regard to audit recommendations is to present accurate and convincing information that clearly supports the recommendations made. It is management’s responsibility to implement the recommendations. Benefits of auditing only come from the implementation of audit recommendations.

Further, City Council is responsible for ensuring that agreed upon recommended changes and improvements occur. The Auditor General assists Council in exercising this responsibility through an annual recommendation follow-up process.

The Auditor General verifies recommendations are implemented and reports results to the Audit Committee

The Auditor General's Office conducts a systematic follow-up of recommendations made to City divisions, agencies and corporations. The follow-up of recommendations is an annual process incorporated in the work plan. On an annual basis, the Auditor General forwards a list of outstanding audit recommendations to management. Management responds with information detailing the actions taken on recommendations implemented. The Auditor General verifies, to the extent necessary, information provided by management and communicates results of the review to the Audit Committee.

The implementation status of audit recommendations is summarized below.

Implementation Status of Audit Recommendations for City Divisions

City divisions have implemented 74 per cent of the Auditor General's recommendations

The results of the 2012 follow-up review indicated that management has fully implemented 74 per cent or 339 of the 458 recommendations made by the Auditor General during the five-year period from July 1, 2006 to June 30, 2011. The 2012 follow-up review entitled "Auditor General's Status Report on Outstanding Audit Recommendations for City Divisions" is available at:

[http://www.toronto.ca/audit/2012/StatusofOutstandingRecommendations-CityDivisions\(WEB\).pdf](http://www.toronto.ca/audit/2012/StatusofOutstandingRecommendations-CityDivisions(WEB).pdf)

Implementation Status of Audit Recommendations for City Agencies and Corporations

City agencies and corporations have implemented 73 per cent of the Auditor General's recommendations

The Auditor General also follows up on the status of audit recommendations made to City agencies and corporations. The results of the 2012 review indicate that City agencies and corporations have implemented 73 per cent or 136 of the 186 recommendations made by the Auditor General during the five-year period from July 1, 2006 to June 30, 2011. The 2012 follow-up review entitled "Auditor General's Status Report on Outstanding Audit Recommendations for City Agencies, Boards and Commissions" is available at:

<http://www.toronto.ca/audit/2012/StatusonOutstandingRecommendations-ABCCsJune12,2012.pdf>

Implementation Status of Recommendations Made by the Auditor General's Office as Part of the Operation of the City's Fraud and Waste Hotline Program

Management has implemented 67 per cent of the Auditor General's recommendations made as part of the City's Fraud and Waste Hotline Program

Commencing 2010, the Auditor General implemented an annual follow-up process for recommendations resulting from investigations, special reviews, or the annual report on Fraud and Waste Hotline activities. The results of the 2012 follow-up review indicate that management has fully implemented 67 per cent or eight of the 12 recommendations made by the Auditor General from January 1, 2007 to December 31, 2011. The 2012 follow-up review report entitled "Auditor General's Office – Forensic Unit Status Report on Outstanding Recommendations" is available at:

<http://www.toronto.ca/audit/2012/ForensicUnit-StatusonOutstandingRecommendationsJune12,2012.pdf>

5.0 EXTERNAL AUDIT COORDINATION

Management of external auditor contract

The Auditor General's responsibilities include the management, coordination and oversight of the external attest audits of the City, its agencies and corporations, as well as 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 agencies and corporations 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 and corporations for audits from 2010 to 2014. The external auditor for the City Arenas, Community Centres and Miscellaneous Entities (Heritage Toronto, Yonge-Dundas Square, the Toronto Atmospheric Fund and the Clean Air Partnership) for the years 2013 to 2017 was approved by City Council in November 2012.

6.0 FRAUD AND WASTE HOTLINE

Prevention and detection are key to managing risk of fraud and other wrongdoing

The Auditor General's Office has been administering the Fraud and Waste Hotline Program since its inception in 2002. The Hotline Program is part of the City's strategy to manage the business risk of fraud and other wrongdoing. Prevention and detection remain key components in managing this business risk which results in direct financial losses and indirect costs such as additional management resources to investigate and correct wrongdoing.

774 complaints were received in 2012

In 2012, the Program received 774 complaints, a six per cent decrease from the number of complaints in 2011. Approximately 35 per cent of complaints received in 2012 included at least two or more allegations. As a result, approximately 1,500 allegations were processed by the Program staff.

Complaint activity may increase or decrease because of the dynamic nature of the hotline program and various other factors. For the most part, the decrease in complaint activity in 2012 related to a decrease in the number of complaints involving the Toronto Community Housing Corporation (TCHC). In 2011, the Hotline Program received 121 complaints regarding TCHC in response to various high profile audit reports issued by the Auditor General's Office, while in 2012 it received 57 complaints.

Ultimately, the effectiveness of the Hotline Program does not depend on the number of complaints reported in any given year, but on the action taken to investigate, manage and reduce the risk of fraud.

While the financial benefits of the Program have been highlighted in Figure 3, it is important to recognize the non-financial benefits:

Non financial benefits of the Hotline

1. The resolution of complaints leads to improvements relating to internal controls, policies and procedures and mitigates potential misuse of City resources.
2. Collecting, monitoring and analyzing complaint data helps in identifying trends, address risks and make action oriented recommendations to management.

3. The Hotline Program allows employees and the public to report complaints anonymously. This encourages the reporting of wrongdoing to help detect and stop further losses to the City.
4. The Hotline Program is a key component in deterring fraud or wrongdoing by increasing the probability of being detected.

While these non-financial benefits to the City are significant, it is not possible to quantify their value.

CONCLUSION

Ninth annual report

This report, requested by the Audit Committee, is the ninth such annual report. By its nature, many of the amounts categorized as cost savings or revenue reductions are estimates. However, these estimates are conservative.

Estimated \$11 savings for every dollar invested in the Office

Based on our analysis, over the five-year period commencing January 1, 2008, the estimated potential savings to the City are approximately \$209 million compared to a cumulative audit expenditure of nearly \$19.1 million. In simple terms, for every \$1 invested in the audit process the return on this investment has been approximately \$11.

The audit process is not designed with the sole purpose of identifying cost reductions or revenue increases. Many of the recommendations issued by the Auditor General's Office have led to strengthened internal controls, improvements to policies and procedures, better management and use of City resources, and improvements to operational efficiency.

Achievement of savings and improved efficiency depend on efforts by management and City Council

Auditing by itself does not directly produce these benefits. Management is responsible for implementing the recommendations and City Council is responsible for ensuring that agreed upon changes and improvements occur. To assist Council in exercising this responsibility, the Auditor General's Office conducts an annual systematic follow-up to determine the implementation status of audit recommendations.

The Auditor General's 2013 Audit Work Plan contains a balance of audit work to help improve management controls, accountability, and effectiveness and efficiency of City operations and services.

**AUDITOR GENERAL'S OFFICE
Reports Issued in 2012**

2012 Audit Reports:

- Toronto Building Division – Building Permit Fees, Improving Controls and Reporting
- Review of Controls Over Procurement and Payment Functions at TCHC Subsidiary: Housing Services Inc.
- Review of Coordinated Street Furniture Contract – Public Realm Section, Transportation Services Division
- Toronto Community Housing Corporation - The City and Toronto Community Housing Corporation Needs to Strengthen its Oversight of Subsidiaries and Other Business Interests
- Toronto Community Housing Corporation Fleet Management – Lack of Central Oversight Has Led to Control Deficiencies
- Continuous Controls Monitoring – Review of Employee Overtime and Mileage Reimbursements
- Front Yard and Boulevard Parking – Improvements Needed to Enhance Program Effectiveness
- Review of the Energy Retrofit Program at Community Centres and Arenas
- Review of The Management of the City's Divisional Accounts Receivable
- Inventory Controls Over Traffic Control Devices in Transportation Services Need to be Improved
- Review of Reporting on Use of Consultants
- Improving Reporting and Monitoring of Employee Benefits
- Procurement of 311 Toronto's Information Technology System – Lessons for Future Procurement Processes
- Toronto Transit Commission Employees Overtime and Related Expenses – Continuous Controls Monitoring
- Continuous Controls Monitoring Program – Review of City Overtime and Mileage Expenses
- Parks, Forestry and Recreation Division - Review of the Management of the City's Golf Courses
- A Mid-Term Review of the Union Station Revitalization: Managing Risks in a Highly Complex Multi-Year, Multi-Stage, Multi-Million Dollar Project
- eCity Initiative – Improvements Needed in Governance, Management and Accountability
- City Stores: Maximize Operating Capacity to Be More Efficient
- Toronto Employment and Social Services – Income Verification Procedures Can Be Improved

- Review of Wheel-Trans Services – Sustaining Level and Quality of Service Requires Changes to the Program

2012 Annual Reports:

- 2011 Annual Report Requested by the Audit Committee – Demonstrating the Value of the Auditor General’s Office
- 2011 Annual Report on Fraud Including the Operations of the Fraud and Waste Hotline
- Auditor General’s Status Report on Outstanding Audit Recommendations for City Divisions
- Auditor General's Office – Forensic Unit Status Report on Outstanding Recommendations
- Auditor General's Status Report on Outstanding Audit Recommendations for City Agencies, Boards, Commissions and Corporations
- Annual Independent Compliance Audit - Auditor General's Office
- Auditor General's Office: 2013 Budget
- 2013 Audit Work Plan

2012 Other Reports:

- Process for Submission of Audit Report Pertaining to the Toronto Community Housing Corporation
- Deferral of Interim Progress Report –311 Toronto – Full Potential for Improving Customer Service Has Yet to Be Realized
- Auditor General's Office External Peer Review
- Process to Obtain External Audit Services - 2013 to 2017 Inclusive
- Award – Request for Proposal 9171-12-7072 External Audit Services for City Arenas, Community Centres and Miscellaneous Entities

**AUDITOR GENERAL'S OFFICE
Audit Reports, 2008 to 2011**

2011 Audit Reports

- 311 Toronto – Full Potential For Improving Customer Service Has Yet To Be Realized
- Toronto Police Service, Police Paid Duty – Balancing Cost Effectiveness and Public Safety
- The Deep Lake Water Cooling Project – Total City Costs and Benefits Need to be Reported
- Toronto Animal Services – License Compliance Targets Need to be More Aggressive
- Review of Infrastructure Stimulus Funding – Opportunities Exist to Improve Controls over Construction Projects
- Toronto Police Service, Parking Enforcement Review
- Continuous Controls Monitoring – Employee Overtime
- Remote Access to the City's Computer Network – The Management of the Process Requires Improvement
- Toronto Police Service – Review of the Integrated Records and Information System
- Red Light Camera Program - Although Red Light Cameras Have Contributed to a Reduction in Accidents, Opportunities Exist to Improve Financial Results and Program Effectiveness
- 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
- Toronto Environment Office – Review of Administration of Environmental Grants
- Governance and Management of City Computer Software Needs Improvement
- Previous Audit Reports – Common Themes and Issues
- Protecting Whistleblowers from Retribution

2010 Audit Reports

- Controls Over Parking Tags Need Strengthening
- Toronto Zoo Construction Contracts Review – Tundra Project
- The Auditor General's Second Follow-up Review on the Police Investigation of Sexual Assaults

- Governance and Management of City Wireless Technology Needs Improvement
- Parks, Forestry and Recreation Division – Controls Over Ferry Service Revenue Need Strengthening
- Insurance and Risk Management Review
- Parks, Forestry and Recreation – Review of Internal Controls at the East York Curling Club
- Management of Capital Project 129 Peter Street – Shelter, Support and Housing Administration, Facilities Management and Real Estate Divisions
- Police Training, Opportunities for Improvement Toronto Police Service – Follow-up Review
- Review of the City SAP Competency Centre
- Administration of Municipal Land Transfer Tax, Revenue Services Division
- Administration of Development Funds, Parkland Levies and Education Development Charges
- Employee Expenses Practices – Toronto Community Housing Corporation
- Procurement Policies and Procedures – Toronto Community Housing Corporation
- Review of the Management and Funding for Inactive Landfill Sites
- Controls Over Concession Agreements at Parks, Forestry and Recreation Need Strengthening

2009 Audit Reports

- Review of Management and Oversight of the Integrated Business Management System (IBMS)
- Parks, Forestry and Recreation - Capital Program - The Backlog in Needed Repairs Continues to Grow
- Review of Disposal of Surplus IT Equipment – Security, Environmental and Financial Risks
- Toronto Parking Authority Pay and Display Parking Operations – Review of Revenue, Expenditures and Procurement Practices
- Process for Non-Competitive Procurement (Sole Source) Needs Improvement
- Effectively Managing the Recruitment of Non-Union Employees in the Toronto Public Sector
- City Purchasing Card (PCard) Program – Improving Controls Before Expanding the Program
- Review of Information Technology Training
- Payment of Utility Charges

2008 Audit Reports

- The Management of Information Technology Projects – Opportunities for Improvement, Toronto Transit Commission
- Disaster Recovery Planning for City Computer Facilities
- Managing the Risk of Overpayments in the Administration of Social Assistance, Toronto Social Services
- Review of Affordable Housing Project at 2350 Finch Avenue West
- Review of Court Services, Toronto Police Service
- Fleet Review – Toronto Police Service
- Protecting Water Quality and Preventing Pollution – Assessing the Effectiveness of the City’s Sewer Use By-Law, Toronto Water
- Audit of City Performance in Achieving Access, Equity and Human Rights Goals
- Managing Employee Attendance

AUDITOR GENERAL'S OFFICE

Specific Recommendations Relating to the Consolidation of Various Functions Throughout the City

Reports issued from 2009 - 2011

Report Title	Rec. No.	Recommendation
Toronto Police Service – Review of the Integrated Records and Information System, August 2011	2.	The Chief of Police review the composition of all Information Techno a view to including qualified City staff. The Chief develop specific cr process should occur.
Toronto Community Housing Corporation – Procurement Policies and Procedures Are Not Being Followed, February 2011	1.	The Chief Executive Officer in consultation with the City Manager rev exist to consolidate or coordinate operations at the TCHC and the City savings. The Chief Executive Officer be required to report to the Boar 30, 2011 on the results of these consultations. Further, the City Manag City Council at the same time.
Toronto Environment Office – Administration of Environmental Grants, January 2011	1.	The City Manager review the City's various environmental grant prog structured and managed as efficiently and effectively as possible. The with any recommendations, be reported to Executive Committee.
Governance and Management of City Computer Software, January 2011	1.	The City Manager provide clarification to City divisional management responsibility of the Chief Information Officer as the single point of au wide and division-specific software.
	2.	The City Manager, in consultation with the Chief Information Officer Boards, Commissions and Corporations, review the need for the devel in the acquisition and management of software. Closer coordination w Commissions and Corporations has the potential for significant cost sa
Governance and Management of City Wireless Technology Needs Improvement, April 2010	2.	The Chief Information Officer ensure measures to provide a consultati wireless projects undertaken by City Agencies, Boards and Commissio
Toronto Zoo Construction Contracts Review – Tundra Project, March 2010	2.	The Chief Executive Officer, Toronto Zoo, in consultation with the Ci steps to ensure that: a. The Zoo's standard templates for call documents and agreements are City call documents b. Relevant City clauses are adopted where appropriate
Payment of Utility Charges, November 2009	9.	The Executive Director of the Facilities & Real Estate Division take ap duplication of energy consumption review efforts performed by City s such as the TTC and the Toronto Community Housing Corporation.
	11.	The City Manager forward this report to the City's major Agencies, B order to ensure that the issues raised in this report are addressed by the

Reports issued from 1998 - 2008

Report Title	Rec. No.	Recommendation
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Report Title	Rec. No.	Recommendation
Audit of City Performance in Access, Equity and Human Rights Goals, October 2008	8.	The City Manager, in consultation with the City's Agencies, Boards, Commissions and Corporations, consider creating a consolidated Human Rights Office to receive and coordinate human rights or harassment related complaints or enquiries concerning services provided by City Divisions, Agencies, Boards, Commissions and Corporations.
Fleet Review – Toronto Police Service, September 2008	3.	The Chief of Police review projected costs of acquiring an automated fleet management system. Staff related cost savings, the use of the City's existing pricing arrangements, the use of monitoring devices and the City's IT system support should be evaluated. The project's business case for review by senior management and the Toronto Police Service.
Disaster Recovery Planning for City Computer Facilities, April 2008	1.	The City Manager develop a formal disaster recovery planning and protocol with the City's Agencies, Boards and Commissions. The protocol should ensure coordination and communication related to computer facility disaster recovery planning.
Employee Benefits Review, October 2007	1.	The Director, Pension, Payroll and Employee Benefits, in consultation with representatives of the City's Agencies, Boards and Commissions, review the effectiveness of expanding the current City of Toronto benefits umbrella to all Toronto Agencies, Boards and Commissions.
Review of the Administration of Leases on City-owned Property, July 2006	5.	The City Manager take appropriate steps to implement the lease management system and Real Estate Module for all City leases, including those administered by the Recreation Division. Unless there are compelling reasons to the contrary, all alternative management information systems be discontinued.
	20.	Deputy City Manager and Chief Financial Officer upgrade the SAP financial system to automatically produce standard collection reminder letters as soon as possible. Once functionality is implemented, all City Divisions responsible for the billing of accounts receivable be required to use it to create timely reminder notices for all accounts. Notices be sent out on a regular basis.
Operational Review – Toronto Fire Services, January 2006	3.	The Fire Chief and General Manager review the appropriateness of establishing a production unit within Professional Development, Training and Mechanical Services. The review take into account the resources currently available within the Professional Development, Communications Unit of Staff Services and Communications as well as other resources elsewhere in the City.
	7.	The Fire Chief and General Manager review the cost and benefits of investing in new equipment in the fire prevention inspection process. Such an analysis should include capital investment plus increased efficiency gains. In conducting this analysis, the Fire Chief and General Manager ensure coordination with both Toronto Public Health and Fire Services.
	25.	The Deputy City Manager, in consultation with the Deputy City Manager and Chief Financial Officer, explore the costs and benefits of designating Fleet Services as a separate unit for maintenance and repair services for Toronto Fire Services' light vehicles.

Report Title	Rec. No.	Recommendation
Maintenance and Administrative Controls Review - Facilities and Real Estate, September 2005	1.	<p>The City Manager review the current Corporate governance structure and building maintenance service arrangements and determine the extent of building maintenance functions in all City divisions, with a view to:</p> <ul style="list-style-type: none"> (a) evaluating the feasibility of centralizing ownership, control and accounting and integrating all building maintenance operations and related functions into the Real Estate Division; and (b) reporting to the Policy and Finance Committee by July 2006. Such report to include the following: <ul style="list-style-type: none"> (i) proposed organizational structure to integrate all building maintenance functions; (ii) costs and benefits of such change; (iii) roles and responsibilities of the Facilities and Real Estate Divisions; (iv) impact on the operating and capital budgets of the Facilities and Real Estate Divisions and all other City divisions; (v) recommended action, including specific timelines for implementation; (vi) direct consultation with City divisions.
Review of the Enterprise Case and Occurrence Processing System (eCOPS) Project, April 2005	6.	<p>The Chief of Police and the City's Deputy City Manager and Chief Financial Officer review the ongoing protocol and working relationship in order to ensure that:</p> <ul style="list-style-type: none"> - technology developments do not occur in isolation from each other; - technology developments are in accordance with the long term objectives of the City organizations; and - the purchase of any computer hardware and software is co-ordinated.
Fleet Operations Review – Phase Two, April 2005	26.	<p>City Council direct that this report be forwarded to those City organizations responsible for their own fleet operations, including Emergency Medical Services, Fire Services, Toronto Library Board, Toronto Zoo and Exhibition Place, in order that issues raised are addressed by them where appropriate. These organizations are to report at the first 2006 meeting of the Audit Committee in connection with the results of their review, specifically addressing:</p> <ul style="list-style-type: none"> (a) garage operations; (b) maintenance and repairs by private repair shops; (c) fleet management information systems; and (d) parts inventory controls.
Telecommunication Services Review, January 2005	1.	<p>City Council direct that this report be forwarded to all major City Agencies, Boards and Commissions. These entities be required to review the recommendations of the report and report to the Audit Committee whether or not they have relevance to their operations and report to the Audit Committee on the results of their reviews, including any actions taken.</p>
Payroll Processing Review (Phase One), October 2004	1.	<p>City Council direct that this report be forwarded to the City's Agencies, Boards and Commissions in order to ensure that issues raised in this report are addressed by them. All Agencies, Boards and Commissions be required to report back to the Audit Committee by July 11, 2005, in connection with the results of their review;</p>

Report Title	Rec. No.	Recommendation
The Migration of the SAP Financial and Human Resources/Payroll System to the City's Agencies, Boards and Commissions, October 2004	1.	It is recommended that the Chief Administrative Officer initiate a process for technology acquisitions throughout the City, including the Agencies, Boards and Commissions, effectively planned and coordinated. Such a process take into account the City's corporate governance model which provides the appropriate level of oversight and coordinating and approving technology investments at the City's Agencies, Boards and Commissions. If appropriate, the Chief Administrative Office be required to pass legislation to ensure that such a process takes place. The Chief Administrative Officer report to the Audit Committee for its July 11, 2005 meeting in regard to this matter.
Toronto Maintenance Management System Application Review, March 2004	1.	City Council direct that this report be forwarded to all City Departments, Agencies and Commissions. These entities be required to review the recommendations and determine whether or not they have relevance to their operations and take appropriate action.
Economic Development, Culture and Tourism Department – Review of Receivables Relating to Parks and Recreation Operations and the Review of Revenue and Cash Controls Relating to the Parks and Recreation Division, North and South Districts, March 2004	1.	The Commissioner, Economic Development, Culture and Tourism review the Auditor General's Office relating to cash controls and accounts receivable recommendations that all recommendations are appropriately addressed.
	2.	City Council direct that those recommendations relating to the management of cash controls be forwarded to City Commissioners and Senior Executives of City Agencies, Boards and Commissions in order to determine whether or not the recommendations have applicability to their respective organizations. Where appropriate, recommendations be implemented immediately.
Oracle Database Review – Security Controls and Other Issues, December 2003	1.	City Council direct that this report be forwarded to all City Departments, Agencies and Commissions. These entities be required to review the recommendations and determine whether or not they have relevance to their operations and report to the Audit Committee on the results of their reviews including any action taken;
Fleet Operations Review – Phase One, November 2003	1.	City Council direct that this report be forwarded to those City organizations that have their own fleet operations including the Toronto Police Service, Emergency Services Division and Fire Services Division in order to ensure that the issues raised be addressed by them where appropriate. These organizations be required to report to the 2004 meeting of the Audit Committee in connection with the results of their reviews addressing: <ul style="list-style-type: none"> (a) fuel site use and management, including: <ul style="list-style-type: none"> (i) daily fuel reconciliation procedures and administration; and (ii) compliance with Ontario's Technical Standards and Safety Act and the Technical Standards and Safety Authority; (b) vehicle procurement, utilization and disposal activities; (c) fleet safety activities; and (d) initiatives to minimize the environmental impact of respective fleets.

Report Title	Rec. No.	Recommendation
SAP Financial and Human Resources/Payroll Information Systems – Post Implementation Review, April 2003	14.	<p>The Commissioner of Corporate Services and the Chief Financial Officer to develop a long-term City-wide strategic plan relating to the future development of the SAP information system. This long term strategic plan recognise the principles of the vision. The major objectives of such a plan be to investigate ways to reduce the City's investment in SAP. Such a plan to include the appropriate staff resources, a Competency Centre along with a process to address the need to:</p> <ul style="list-style-type: none"> - work with departments to identify and prioritise the roll out of SAP systems; - available to City operating departments; - work with departments to coordinate the implementation and integration of SAP information systems; - work with departments to identify and prioritize management information systems; - identify best practices to improve the level of SAP information systems; - functionality; - enforce the corporate standards established for SAP information systems; - development, maintenance and use; and - assist Agencies, Boards and Commissions in the roll out of SAP information systems.
Selection and Hiring of Professional and Consulting Services Review, June 2001	15.	<p>In view of the fact that the recommendations contained in this report need to be implemented by Agencies, Boards and Commissions, the General Manager of each of the Agencies, Boards and Commissions report to their respective Boards by August 31, 2001 on such recommendations and their applicability in relation to their operations. In addition, the respective General Managers forward such reports to the City Audit Committee;</p>
Management Controls: A Basic Departmental Responsibility, March 2001	2.	<p>The General Managers of each of the Agencies, Boards and Commissions report to their respective Boards by June 30, 2001, on the processes in place to ensure the evaluation of internal administrative controls and the implementation of such controls as necessary;</p>
	4.	<p>Staff assigned to various Agencies in a management control support role to review the Financial/Internal Control Checklist prepared by the City Auditor's Office by August 31 as a part of their ongoing review process.</p>
1998 Management Letter Summary - Community Centres and Arenas, August 1999	1.	<p>As part of its mandate the recently structured ABC Reduction Task Force to review the governance of all community centres and arenas in the City. The review process should include the integration and streamlining of all departments.</p>
	2.	<p>The Chief Financial Officer and Treasurer immediately initiate a plan to provide support for the accounting needs of all community centres and arenas. This support include timetables, year end working paper and reconciliation requirements should be provided.</p>
	3.	<p>City Finance staff should prepare standardized written policies and procedures for all community centres and arenas. Where possible and appropriate, these policies and procedures should be consistent with those of the City.</p>
	5.	<p>The Chief Financial Officer and Treasurer give consideration to the standardization of accounting systems at each of the community centres and arenas. In the longer term, this should be done centrally using the City's new SAP accounting system.</p>

Report Title	Rec. No.	Recommendation
	6.	The Chief Financial Officer and Treasurer, in consultation with City L present arrangements relating to the organization of each separate non- within each community centre. Arrangement should be made to imme function of the non-profit organizations from those of the centre. Mor well as year end financial reporting, should be conducted separately.
	7.	The Chief Financial Officer and Treasurer be required to review all an arenas in order to determine the extent of funds owed to the City. The Treasurer be required to collect all surplus funds owed to the City on a