Results Arising from the Shared Services Study Related to Internal Audit and Jurisdictional Research Respecting Funding Models for Accountability Functions

Date: February 1, 2013
To: Audit Committee
From: City Manager
Wards: All
Reference Number: 

SUMMARY

City Council requested the City Manager to review consolidation opportunities amongst the internal audit functions at the City and its agencies. As a result, the City Manager included the internal audit function in the Shared Services Study underway.

The purpose of the Shared Services Study is to assess opportunities to share services in eight common functions across the City and its six largest agencies. The eight common functions included in the study are: (1) human resources/labour relations, (2) information technology, (3) insurance and risk management, (4) internal audit, (5) legal services, (6) purchasing and materials management, (7) records management, and (8) real estate services. The six large agencies included in the Study scope are: Exhibition Place, Toronto Parking Authority, Toronto Police Service, Toronto Public Health, Toronto Public Library, and Toronto Transit Commission.

KPMG was retained to undertake the study on behalf of the City Manager. The Shared Services Study is in its final stages. The City Manager will report the outcomes of the full Shared Services Study to the Executive Committee in spring 2013 including implementation of the KPMG identified shared services opportunities for the other seven common functions in consultation with the City’s six large agencies included in the study.

The internal audit function was included in the Shared Services Study and accelerated in order to respond to direction from City Council related to assessing consolidation opportunities.
KPMG has concluded that there is little evidence to suggest that consolidating or moving to a shared services arrangement for internal audit would be beneficial to participating organizations or achieve efficiencies. KPMG however put forward opportunities, including that in-scope agencies that currently do not have an internal audit function should utilize the City's Internal Audit Division for their audit requirements, establishing a Quality Assurance Centre of Excellence and a Working Group for internal audit professionals.

The City Manager concurs with the KPMG opportunities and will move forward with their implementation. In light of KPMG's recommendation, the City Manager will assess the resource implications of providing internal audit services to additional agencies and bring forward any adjustments through the annual operating budget process as required.

It is the City Manager’s view that the audit resources at the City and its agencies, including for the Auditor General’s Office, are lean relative to the size and complexity of Toronto’s government and there are limited opportunities for further efficiencies in these areas. As a result, the City Manager will review the resource allocation of the internal audit functions as part of the 2014 budget process.

This report also outlines the results of jurisdictional research undertaken related to setting aside a percentage of a government's operating budget to fund their accountability functions. The research showed that most governments, like Toronto, use an annual budget estimate and approval process to set the operating budget for their accountability functions. The Province of Quebec (for municipalities with a population of 100,000 or more) and the City of San Francisco were the only two jurisdictions found to use a fixed percent model and only to fund their auditor general function. The City of Detroit is currently in the process of moving to a fixed percent funding model for all of its accountability functions.

A comparison of the percentage of the municipal gross operating budget dedicated to the auditor general function across eight municipalities revealed that Toronto has the lowest percentage allocation. It is interesting to note that jurisdictions using a fixed percent funding model were among the jurisdictions with the highest percentage allocation.

Further consideration or direction related to the funding model or levels of resourcing for the Auditor General or Toronto's other accountability functions, including consideration of moving to a fixed percent funding model, should be directed to Executive Committee who has carriage over the establishment and governance of Toronto's accountability functions. If City Council determines to move to a fixed percent funding model to fund some or all of its accountability functions, further analysis and research will be required in order to determine the appropriate percent.
RECOMMENDATIONS

The City Manager recommends that:

1. City Council receive this report for information.

Financial Impact

There are no financial implications resulting from the implementation of the recommendations in this report.

The Deputy City Manager and Chief Financial Officer has reviewed this report and concurs that there are no financial implications.

DECISION HISTORY

At its meeting on April 10, 2012, City Council adopted the Auditor General's report, 2011 Annual Report Requested by the Audit Committee – Demonstrating the Value of the Auditor General's Office, and approved the following directions:

- City Council authorize the City Manager and the Deputy City Manager and Chief Financial Officer, in consultation with the Accountability Officers, to review and research best practices respecting setting aside a percentage of the City's budget for Toronto's accountability functions and report to Executive Committee.

- City Council request the City Manager to review, and report to the Audit Committee on October 25, 2012, on the operations of each one of the internal audit functions that report to management both in City Divisions and the ABCs, and ascertain whether there may be benefits to consolidating those functions, such a review consider the reporting structure particularly in the context of ensuring that all functions are able to operate independently from management.

- City Council request that, during the review, the City Manager review the level of resources for each entity in order to ensure that levels are commensurate with responsibilities and make recommendations for reallocation of staff, if appropriate. In consultation with the Auditor General any reallocations give consideration to the resource requirements of the Auditor General's Office.

The full report can be found at:

At its meeting on April 29, 2009, City Council adopted the staff report, A Policy Framework for Toronto’s Accountability Officers. Recommendation #13 of the report authorized the City Manager and Deputy City Manager and Chief Financial Officer, in consultation with the accountability officers, to review and research best practices
respecting setting aside a percentage of the City’s budget for Toronto’s accountability functions and report back to Executive Committee. The full report can be found at: http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.EX31.1

At its meeting on May 2002, City Council adopted the report, *Proposal to Establish an Independent Auditor General*, which outlined a new Audit Framework for the City that included three separate functions including an Auditor General's Office, external attest audit and internal audit function. The full report can be found at: http://www.toronto.ca/legdocs/2002/agendas/council/cc020521/pof7rpt/cl001.pdf


**COMMENTS**

1. **The City’s Audit Framework**

In 2001, the Mayor established a Council Task Force regarding the establishment of an independent Auditor General with a view to reviewing and strengthening the audit regime at the City. Mr. L. D. Desautels, a former Auditor General for the Government of Canada, was retained to provide external expert advice and assistance.

In May 2002, City Council adopted a comprehensive audit framework for the City comprised of three separate functions including (1) an independent Auditor General's Office reporting to City Council, (2) internal audit functions reporting to management and (3) an external attest audit of the City and its agencies. Each of these functions have a specific role to play in safeguarding City resources and assets, and ensuring value for money is achieved in City operations.

The key functions of the Audit Framework are detailed below.

(i) **An Independent Auditor General Function**

An independent Auditor General was established in 2002 reporting directly to City Council and responsible for carrying out financial, compliance and value-for-money audits of City programs, activities and functions.

The Auditor General is now a statutory requirement enshrined in the *City of Toronto Act, 2006* (COTA). The Act sets out the mandate, function, powers and duties, judicial protections, and confidentiality provisions for the Auditor General, as well as Toronto's other statutory accountability functions including the Integrity Commissioner, the Lobbyist Registry and Ombudsman.
The Auditor General’s independence and accountability, term, powers and duties under COTA, responsibilities and reporting requirements are codified in Toronto Municipal Code Chapter 3, Accountability Officers. The Chapter also establishes responsibility for the Audit Committee to review and recommend the annual budget of the Auditor General’s Office to City Council.

(ii) A Dedicated Internal Audit Function

The Audit Framework adopted by Council in 2002 recognized the importance that management in large organizations need some form of capability to:

- provide them with objective assurance that the systems for which they are responsible for function properly;
- identify and evaluate exposure to risk and help strengthen risk management and controls;
- investigate situations where management has concerns; and
- review the adequacy of controls in proposed new systems.

Consequently, an Internal Audit Division was established in 2002 within the Office of the City Manager to assist the organization to meet its responsibilities with respect to internal control systems and to provide objective risk, business and audit service as required.

In November 2011, the Institute of Internal Auditors conducted a Quality Assurance Review of the City's Internal Audit function and made a number of recommendations including that the function report its activities and work plan to the Audit Committee for enhanced independence. The Internal Audit Division's 2012 and 2013 Work Plan were received by the Audit Committee at its October 2012 meeting.

(iii) Role of Management within the Audit Framework

The Audit Framework recognized and specified that management throughout the organization would continue to play an important role in establishing, maintaining, and monitoring the financial and operational internal control infrastructure.

The Audit Framework established that all management have responsibility to identify risk within their areas and ensure that adequate controls are in place to mitigate risk and safeguard City resources and assets. The Deputy City Manager and Chief Financial Officer has the added responsibility to design and implement systems for effective internal controls for financial transactions, including policies and procedures.

Mr. Desautels’ report further distinguished the role of “program auditors”, quality assurance functions under the authority and budget of divisions, responsible to monitor the integrity of delivery and service quality of specific programs.
(iv) Annual External Attest Audit

The Audit Framework continued the annual external attest audit of the City’s financial statements and those of the City’s agencies by a third party firm with contract oversight responsibility through the Auditor General.

Section 139 of the City of Toronto Act, 2006 requires the appointment of an external auditor to conduct an annual attest audit of the corporation’s finances, including its agencies.

2. Overview of Shared Services Study

2a. Shared Services Study - Background

The Core Service Review undertaken in 2011 identified a number of shared service opportunities across a range of common services and functions. Executive Committee referred these opportunities to the City Manager for inclusion in broader studies to be reported to Standing Committee and Council as required.

Toronto's Auditor General has also put forward recommendations over the years for shared service approaches in a range of support functions. In February 2012 the Audit Committee considered the Auditor General’s report, Previous Audit Reports – Common Themes and Issues, which reiterated his recommendations related to shared service opportunities in accounting, audit, financial information systems, fleet services, information technology, human resources, legal services, procurement, and real estate management.

Following Executive Committee direction, the City Manager initiated a Shared Service Study to assess opportunities to share common services between the City and its agencies. Eight functions were identified as priority areas to evaluate for shared services including: (1) human resources/labour relations, (2) information technology, (3) insurance and risk management, (4) internal audit, (5) legal services, (6) purchasing and materials management, (7) records management and (8) real estate services. The priority functions were selected based on size and scale, maturity, experience in delivering services to multiple parties and positioned to expand their customer base. The internal audit function was included in the study and accelerated in order to respond to direction from City Council related to assessing consolidation opportunities for this function.

While the City has 103 agencies (including the 71 Business Improvement Areas), the study focuses on the City's six largest agencies in order to minimize the length and cost of the study. The six large agencies include: Exhibition Place, Toronto Parking Authority, Toronto Police Service, Toronto Public Health, Toronto Public Library, and Toronto Transit Commission. Shared service opportunities identified through the study may be applicable and extended to additional City agencies as appropriate.
KPMG was retained to undertake the Shared Services Study. The purpose of the study is to identify opportunities for shared services across the City and its agencies with the objective of reducing costs, increasing service efficiency and effectiveness and improving customer service.

The study deliverables include:

- a literature and jurisdictional review of shared service approaches to identify leading practices and critical success factors;
- a current state assessment of each function and a review to assess and validate their immediate potential of providing shared service delivery across City divisions and agencies;
- a business case for each shared service opportunity including benefits, limitations, risks, cost savings, and required investments;
- future state operating models for shared service arrangements including structure, governance, service mandate and level, operating costs and financing model, technology requirements, and performance standards; and
- an implementation plan for proposed future state operating models including a roadmap to move from the current to future state.

It was not the intent of the Shared Services Study to undertake a detailed program review of each function but rather to evaluate opportunities for sharing services.

The Shared Services Study is in its final stages. The City Manager will report the outcomes of the full Shared Services Study to the Executive Committee in spring 2013 including implementation of the KPMG identified shared services opportunities for the other seven common functions in consultation with the City’s six large agencies included in the study.

2b. Shared Services Study - KPMG Current State Assessment of Internal Audit

KPMG undertook a current state assessment of the internal audit functions and identified internal audit units at the City and in three of the six in-scope agencies including Toronto Parking Authority, Toronto Police Services and Toronto Transit Commission.

Toronto Public Health and Exhibition Place rely on the City’s internal audit resources to conduct required reviews and pay for the use of these services through an internal charge back model. Toronto Public Library does not have an internal audit function but occasionally contracts external auditing resources to conduct ad hoc reviews when required. The TTC internal audit function was reduced by approximately 10 FTEs in the 2012 Operating Budget. Appendix A provides a summary of the staffing and budget of the internal audit functions.
At the City Manager's request, KPMG also reviewed formal divisional quality assurance units in order to determine any potential for consolidation and efficiencies. The divisional quality assurance units that KPMG assessed include Children’s Services, Shelter, Support and Housing Administration, Toronto Employment and Support Services and Toronto Water.

KPMG's assessment found that the divisional quality assurance units focus on performing quality reviews, procedural compliance reviews, and evaluating service and program effectiveness. Each unit has a specific mandate, source of funding and legislative requirements. A brief summary of the divisional quality assurance units is below.

- **Children's Services** quality assurance activities are funded 80% from the Province and 20% from the City and include 6 staff responsible for setting, applying and monitoring compliance of child care programs with fee subsidy contracts with the City with Toronto's Operating Criteria. As well, staff work closely with operators to build capacity and improve quality of care, and manage and monitor the application of fee subsidies.

- **Toronto Water's** quality assurance activities are mandated by Council and must adhere to Ministry of Environment guidelines, regulations and legislation governing drinking water quality management systems. The quality assurance activities are carried out by 3.6 staff and include business process quality assurance and maintenance of City assets.

- **Employment and Social Services** quality assurance activities are funded 80% from the Province and 20% from the City and include 7 staff responsible for monitoring and reporting on compliance to divisional processes, policies and procedures, including for employment assistance contracts and service agreements.

- **Shelter, Support & Housing Administration's** quality assurance activities are funded 50% from the Province and 50% from the City and include a percentage of 6 staffs' time that are responsible for applying and monitoring compliance with the City's Shelter Standards.

2c. **Shared Services Study - KPMG Findings and Opportunities Related to Internal Audit**

KPMG concluded that there was little evidence to suggest that consolidating or moving to a shared service arrangement to provide internal audit services to City divisions and agencies would be beneficial to participating organizations or achieve efficiencies. KPMG identified a number of barriers that would prevent the standardization of processes and overall consolidation of the function including:

- Specific operational requirements of the larger agencies including the Toronto Police Services (TPS) and the Toronto Transit Commission. For example, some of the TPS auditing requirements are mandated by the *Police Services Act*. 

Results Arising from the Shared Services Study Related to Internal Audit and Jurisdictional Research Respecting Funding Models for Accountability Functions
Different risk profiles amongst agencies require different levels of internal audit supports and security clearance for their auditors. For example, TPS requires an auditor to have advanced security clearance to review certain operational files.

Agencies that have in-house internal audit units rely on their audit staffs deep knowledge and understanding of the organization's specific operations, policies and procedures, and applicable legislative requirements. As well as their direct relationship with agency executives.

KPMG did however put forward the following opportunities related to internal audit and quality assurance:

- City agencies that do not have their own audit capacity should use the City's Internal Audit Division and pay for these services through a charge back model;
- An Internal Audit Working Group composed of internal audit professional from across the City and agencies should be established to collaborate, share experience and practices, and optimize their use of resources; and
- A Quality Assurance Centre of Excellence should be established for the City's quality assurance functions to increase the capacity and maturity of the function across the organization and to share knowledge, research and tools more effectively.

The KPMG assessment of internal audit and quality assurance is attached as Appendix B.

2d. Implementation of the KPMG Opportunities

The City Manager concurs with the KPMG opportunities and will move forward with their implementation. Specifically, the City Manager will work closely with the City agencies that do not have an internal audit function to facilitate use of the City's Internal Audit Division for their compliance, assurance and business risk consulting needs.

The City Manager will establish an Internal Audit Working Group for City and agency internal audit professionals to share audit best practices and standards, improve collaboration and ensure resources are maximized. A Quality Assurance Centre of Excellence will also be established to facilitate sharing knowledge, best practices, resources and tools across the organization. The Centre of Excellence once implemented could also be extended to the City’s agencies.

It is the City Manager's view that the City's audit resources, including for the Auditor General's Office, are lean relative to the size and complexity of Toronto's government and there are limited opportunities for further efficiencies. As a result, the City Manager will review the resource allocation of the internal audit functions as part of the 2014 budget process.
3. **Percentage of Budget to Fund Accountability Functions**

As directed by City Council the City Manager reviewed and researched best practices respecting setting aside a percentage of a City's budget for Toronto's accountability functions. A jurisdictional and literature review was undertaken to identify and examine jurisdictions that set aside a percentage of a government's operating budget to fund accountability functions like Toronto’s, specifically the Auditor General, Integrity Commissioner, Lobbyist Registrar and Ombudsman.

The jurisdictional review examined a wide range of jurisdictions and was intentionally broad in order to maximize the opportunity of funding jurisdictions that utilize a fixed percent funding model. Fifteen jurisdictions representing major municipalities across Canada and the United States, Canadian provinces and national governments with established independent accountability functions, were reviewed in depth.

It should be noted that the research identified that no jurisdiction had the same four accountability functions found in Toronto. All of the jurisdictions reviewed had an independent Auditor General function and many also had an Ombudsman function but most jurisdictions did not have an Integrity Commissioner or Lobbyist Registrar like Toronto's. For example, in the Province of Alberta, the Ethics Commissioner who is responsible for application of the Provincial *Conflict of Interest Act* to elected officials is also appointed as the lobbyist registrar under the *Lobbyists Act* and is responsible for managing Alberta's lobbyist registry.

While, both the City of Ottawa and the Province of Ontario have an Integrity Commissioner function similar to Toronto’s, a key difference is that in these jurisdictions the Integrity Commissioner is also appointed as the lobbyist registrar with responsibility for the lobbyist registry.

3a. **Summary of Research Findings**

Budgetary independence is at the core of independence for accountability functions. Budgetary independence ensures that the functions are not fettered in the fulfillment of their statutory duties and minimizes potential interference with their budget. The method by which a government chooses to fund their accountability functions must afford its accountability functions budgetary independence and be considered within the context of the following principles:

- Budgetary independence is a core feature of independence;
- Accountability functions should have funding stability;
- Accountability functions should have funding security;
- The budget process should be transparent; and
- The budget process for an accountability function is an important accountability mechanism back to the legislative body.
The majority of the jurisdictions reviewed, like Toronto, use an annual budget estimate and approval process for their accountability functions. In this process an accountability officer annually submits their budget request to the legislative body (usually through a Committee) for oversight, consideration and approval. This is the most prevalent model in Canada and used by most Canadian municipalities and provinces. A small number of jurisdictions use a fixed percent funding model for their accountability functions.

Each of the models has its benefits and limitations. The models are summarized below.

i. Fixed Percent Funding Model

Through the research, two jurisdictions were found to have implemented a fixed percent model. These jurisdictions include the City of San Francisco and the Province of Quebec for municipal auditors in municipalities with a population equal or greater than 100,000 people (of which there are six). The percentage of budget is calculated based on the government’s gross operating budget, is codified in legislation, and does not include their internal audit functions. The following table provides more details for the two jurisdictions using a fixed percent model.

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Authority</th>
<th>2012 Gross Operating Budget</th>
<th>Fixed Percent Funding Model*</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of San Francisco</td>
<td>San Francisco City Charter</td>
<td>Auditor General $12.1M</td>
<td>The Charter provides for a dedicated source of funding for the auditor general function equivalent to two-tenths of one percent (0.2%) of the City's gross operating budget</td>
</tr>
<tr>
<td>Municipalities in the Province of Quebec with a population of 100,000 people or more</td>
<td>Quebec Cities and Towns Act</td>
<td>Dependent on the size of the municipal budget</td>
<td>The Act includes a legislated percentage for the auditor general which varies from 0.11% - 0.17% - depending on the size of the municipal gross operating budget</td>
</tr>
</tbody>
</table>

*Staff was not able to identify the methodology that jurisdictions have used to determine the percent of the total budget that is set aside.

The City of Detroit is in the process of moving to a fixed percentage funding model for its accountability functions, including the Auditor General and the Ombudsman. This change seems largely in response to issues related to government corruption. The City has not yet determined the fixed percent that will be used to fund their accountability functions.

Until recently, the City of Ottawa Auditor General's Office was funded through a fixed percentage of the City’s gross annual budget (0.08%). This provision was revoked by Ottawa City Council in 2011. On a go forward basis, the Auditor General's budget will
now be considered and approved annually by City Council and annual increases are required to be in accordance with the budget strategy for the Term of Council.

The benefits of a fixed percent funding model is that it provides funding stability and security since the function is assured a predictable and minimum annual funding allocation. It also minimizes potential interference with an Officer's budget since it is not reviewed or approved annually. However, codifying in law or by-law a percentage of the budget for an accountability function does make it more difficult for a government to change a function's budget or adjust it to align with a government's annual budget priorities or long-term budget strategy.

ii. Budget Estimate and Approval Funding Model

The majority of the jurisdictions reviewed use an annual budget estimate and approval process to set the budget for their accountability functions, including municipalities such as Ottawa, Edmonton, Chicago and Phoenix, Provinces such as Ontario, British Columbia and Alberta and national governments such as the United Kingdom and Australia. A variation of this model is a multi-year operating budget estimate and approval process, for example the City of Calgary's budget is approved for a three year period. In a multi-year budget process, the budget is only reviewed when a budget adjustment is required.

The benefits of this model is that the legislative body has an opportunity to regularly review and approve an accountability officer's budget thereby reinforcing direct accountability to the legislative body for their use of public funds to fulfill their statutory duties. As well, it provides a government an opportunity to align and adjust budgets with its budget priorities and long-term strategy.

However, this model may be perceived as impacting an accountability officer's independence because funding stability and security is reduced by the lack of predictable annual funding and increases the ability of a government to exert control over an accountability functions budget.

4. Funding Toronto's Auditor General's Office through a Fixed Percent Model

If the Province of Quebec's percentage formula of 0.11% is applied the Auditor General's budget it would be $10.3M. While if the City of San Francisco's percentage formula of 0.2% is applied, it would be $18.8M. As previously noted, it is the view of the City Manager that the City's audit resources, including for the Auditor General's Office, are lean relative to the size and complexity of Toronto's government. The table below compares the percentage of the municipal gross operating budget dedicated to the auditor general function across eight municipalities, including Toronto.
Results Arising from the Shared Services Study Related to Internal Audit and Jurisdictional Research Respecting Funding Models for Accountability Functions

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Population</th>
<th>2012 Auditor General Function Gross Operating Budget</th>
<th>2012 Municipal Gross Operating Budget</th>
<th>Auditor General Functions Budget as % of Total Gross Operating Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detroit</td>
<td>706,585</td>
<td>$3.5M</td>
<td>$3.1B</td>
<td>0.11%</td>
</tr>
<tr>
<td>San Francisco</td>
<td>812,826</td>
<td>$12.1M</td>
<td>$6.8B</td>
<td>0.18%</td>
</tr>
<tr>
<td>Edmonton</td>
<td>817,498</td>
<td>$2.1M</td>
<td>$1.9B</td>
<td>0.11%</td>
</tr>
<tr>
<td>Ottawa</td>
<td>883,391</td>
<td>$1.6M</td>
<td>$2.7B</td>
<td>0.06%</td>
</tr>
<tr>
<td>Calgary</td>
<td>1,120,255</td>
<td>$1.9M</td>
<td>$2.8B</td>
<td>0.07%</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>1,536,471</td>
<td>$7.6M</td>
<td>$3.5B</td>
<td>0.22%</td>
</tr>
<tr>
<td>Montreal</td>
<td>1,649,519</td>
<td>$5.0M</td>
<td>$4.7B</td>
<td>0.11%</td>
</tr>
<tr>
<td>Chicago</td>
<td>2,707,120</td>
<td>$5.9M</td>
<td>$8.2B</td>
<td>0.07%</td>
</tr>
<tr>
<td>Toronto</td>
<td>2,751,000</td>
<td>$3.9M*</td>
<td>$9.4B</td>
<td>0.04%</td>
</tr>
</tbody>
</table>

*Not including $328,200 for the cost of the annual external attest audit.

The comparison demonstrates that Toronto allocates the lowest percentage of its operating budget (0.04%) to the auditor general function across all of the municipalities surveyed. In addition, half of the jurisdictions reviewed allocate more than one-tenth of one percent (0.1%) to their auditor general function including two jurisdictions funded through a fixed percent model. San Francisco has the highest percentage allocation at 0.2% of its gross municipal budget. Chicago who is the closest municipality in population size and budget allocates 0.07% of its municipal operating budget to its auditor function. This represents a difference of 0.03% from Toronto, which based on Toronto’s budget translates to $2.8M.

Like the majority of the jurisdictions reviewed, Toronto uses an annual budget estimate and approval process to set the budget for its accountability functions. Should City Council wish to consider changes to this funding model or levels of resourcing for the Auditor General or Toronto’s other accountability functions, including consideration of moving to a fixed percent funding model, further direction should be provided to Executive Committee who has carriage over the establishment and governance of Toronto’s accountability functions. If City Council determines to move to a fixed percent funding model to fund some or all of its accountability functions, further analysis and research will be required in order to determine the appropriate percent.
CONTACT

Joseph P. Pennachetti
City Manager
Phone: 416-392-3551 Fax: 416-392-1827
Email: jpennac@toronto.ca

SIGNATURE

________________________________________
Joseph P. Pennachetti
City Manager

Attachments

Appendix A – City of Toronto Internal Audit Functions – Staff and Budget
Appendix B – Results of the Review of Internal Audit Functions – Extract from KPMG Shared Services Study
Appendix A

City of Toronto Internal Audit Functions – Staff and Budget

<table>
<thead>
<tr>
<th>Organization</th>
<th>Staff</th>
<th>2012 Gross Operating Budget for IA Function</th>
<th>2012 Gross Operating Budget for Organization</th>
<th>% of IA function compared to Gross Operating Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>City – Internal Audit Division, CMO</td>
<td>8</td>
<td>$1.1M</td>
<td>$4.8B</td>
<td>0.02%</td>
</tr>
<tr>
<td>Toronto Police Service</td>
<td>14</td>
<td>$1.7M</td>
<td>$1.0B</td>
<td>0.17%</td>
</tr>
<tr>
<td>Toronto Transit Commission</td>
<td>10</td>
<td>$1.1M</td>
<td>$1.4B</td>
<td>0.08%</td>
</tr>
<tr>
<td>Toronto Parking Authority</td>
<td>5</td>
<td>$0.4M</td>
<td>$72.3M</td>
<td>0.55%</td>
</tr>
<tr>
<td>Exhibition Place</td>
<td></td>
<td>Use City IA function</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Toronto Public Health</td>
<td></td>
<td>Use City IA function</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Toronto Public Library</td>
<td>0</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>TOTAL</td>
<td>37</td>
<td>$4.3M</td>
<td></td>
<td>0.05% (of the City's $9.4B Gross Operating Budget)</td>
</tr>
</tbody>
</table>

1 Staffing numbers include administrative staff.
2 Toronto's gross operating budget, not including the operating budget of City agencies.
3 Toronto Public Library does not have an internal audit function, but occasionally contracts external auditing resources as required.