

An aerial photograph of Toronto, Ontario, Canada. The foreground shows a large green park with a baseball field and a soccer field. The middle ground is filled with dense green trees. In the background, the city skyline is visible under a clear blue sky, featuring several prominent skyscrapers, including the CN Tower.

CITY OF TORONTO

Auditor General's Office

2013 Recommended Operating Budget

October 25, 2012

Overview

Outstanding Reports Have Potential to Impact Budget

April 2009

City Council authorize 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.

Overview

Outstanding Reports Have Potential to Impact Budget

June 14, 2011

City Council request the City Manager to review, and report to the Audit Committee on October 20, 2011, on the operations of each one of the internal audit functions that report to management, and ascertain whether there may be benefits to consolidating those functions, such a review to 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, such a reallocation give consideration to the resource requirements of the Auditor General's Office.

Overview

Outstanding Reports Have Potential to Impact Budget

February 29, 2012

Audit Committee reaffirmed its previous requests and directed that reports should be available for October 25, 2012 Audit Committee meeting.

Overview

Audit Framework at the City

- City Auditor - External Audit
- Auditor General's Office
- Internal Audit Functions

Overview

City Auditor

City of Toronto Act - s.139

Responsibilities:

“annually auditing the accounts and transactions of the City and its local boards and expressing an opinion on the financial statements of these bodies based on the audit”

Reporting Relationship:

The City Auditor reports to City Council

Overview

Auditor General

www.toronto.ca/audit

City of Toronto Act - s.177

The City shall appoint an Auditor General

Reporting Relationship:

The Auditor General reports to City Council through the Audit Committee

Funding:

The *City of Toronto Act* is silent

Overview

Internal Audit

City Manager's Office

- Not required by legislation but regarded as best practice
- Reports directly to the City Manager and acts as a resource to the City Manager

Overview

Internal Audit

Toronto Police Service

- Audit & Quality Assurance Unit reporting to the Chief of Police

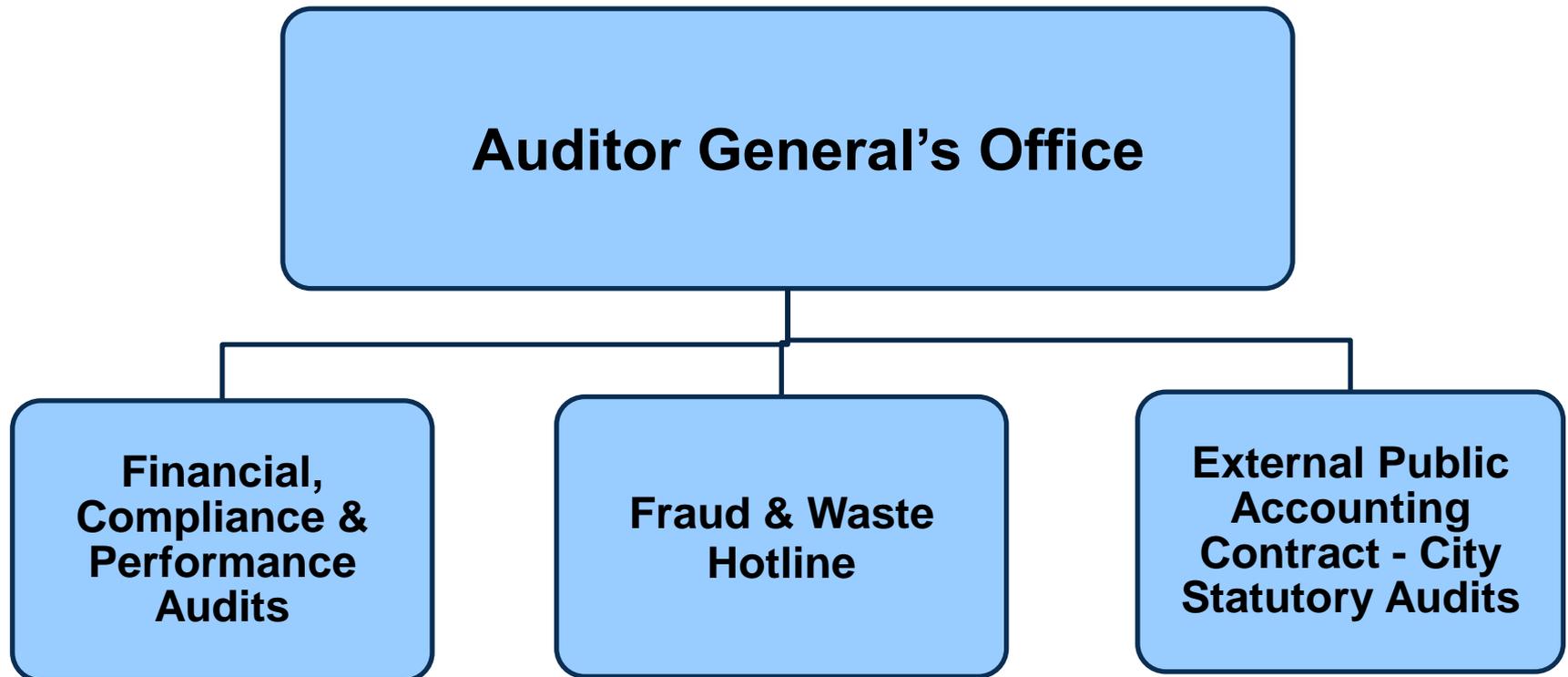
Toronto Transit Commission

- Internal Audit Unit reporting to the TTC Chief General Manager

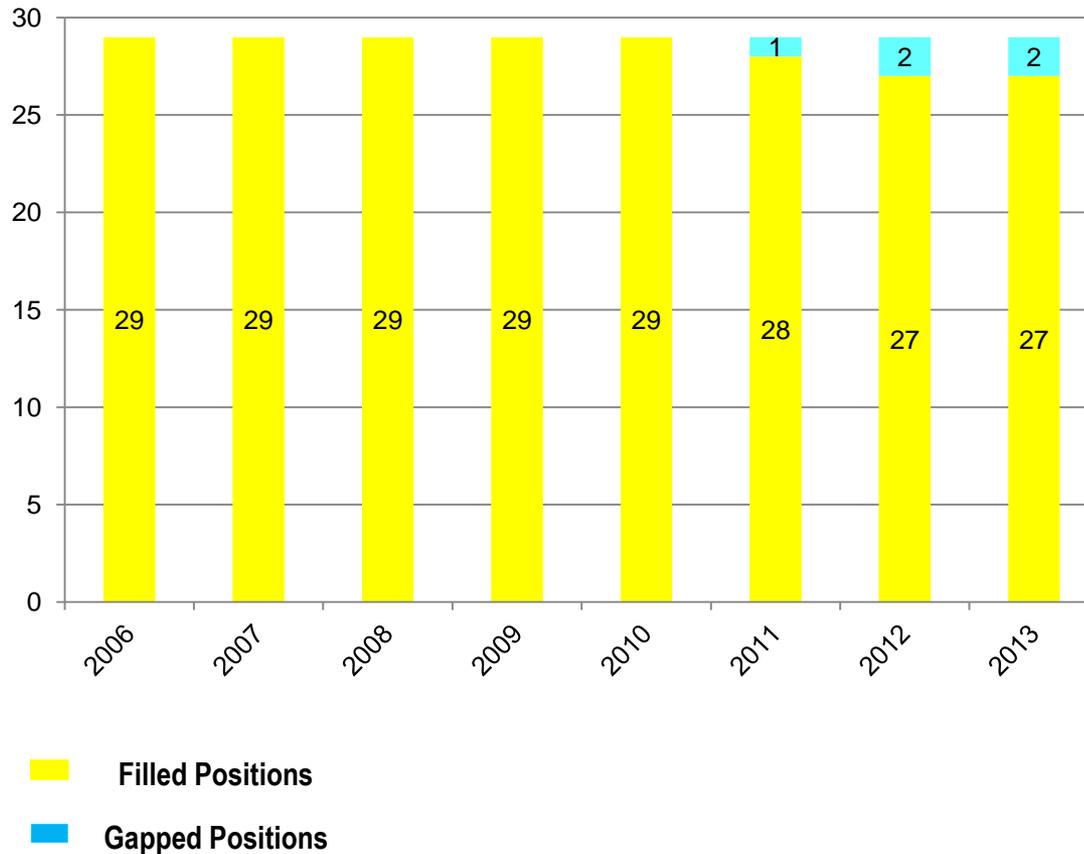
Toronto Community Housing Corporation

- Newly established Audit Function reporting to the Corporate Affairs and Audit Committee

Auditor General's Office Structure



Staffing Trend – Approved Positions 2006 - 2013



Reports Issued by the Auditor General in 2012

- Procurement of 311 Toronto's Information Technology System - Lessons for Future Procurement Processes
- Improving Reporting and Monitoring of Employee Benefits
- Review of Reporting on Use of Consultants
- Inventory Controls Over Traffic Control Devices in Transportation Services Need to be Improved
- Review of the Management of the City's Divisional Accounts Receivable
- Review of the Energy Retrofit Program at Community Centres and Arenas
- Front Yard and Boulevard Parking - Improvements Needed to Enhance Program Effectiveness

Available at: www1.toronto.ca/audit/reports

Reports Issued by the Auditor General in 2012 (cont'd)

- Toronto Community Housing Corporation Fleet Management - Lack of Oversight Has Led to Control Deficiencies
- Toronto Community Housing Corporation - The City and Toronto Community Housing Corporation Needs to Strengthen its Oversight of Subsidiaries and Other Business Interests
- Continuous Controls Monitoring - Review of City Employee Overtime and Mileage Reimbursements
- Toronto Transit Commission Employees Overtime and Related Expenses - Continuous Controls Monitoring
- Review of Coordinated Street Furniture Contract - Public Realm Section, Transportation Services Division
- Review of Controls Over Procurement and Payment Functions at TCHC Subsidiary: Housing Services Inc.

Reports Issued by the Auditor General in 2012 (cont'd)

- Toronto Building Division - Building Permit Fees, Improving Controls and Reporting
- A Mid-Term Review of the Union Station Revitalization: Managing Risks in a Highly Complex Multi-Year, Multi-Stage, Multi-Million Dollar Project
- Parks, Forestry and Recreation Division – Review of the Management of the City’s Golf Courses
- Toronto Employment and Social Services – Income Verification Procedures Can Be Improved
- City Stores: Maximize Operating Capacity to Be More Efficient
- eCity Initiative – Improvements Needed in Governance, Management and Accountability

Reports Issued by the Auditor General Prior to 2012

- 311 Toronto - Full Potential For Improving Customer Service Has Yet To Be Realized
- The Deep Lake Water Cooling Project - Total City Costs and Benefits Need to Be Reported
- Toronto Animal Services - Licence 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
- Remote Access to the City's Computer Network - The Management of the Process Requires Improvement
- Red Light Camera Program
- Controls over Employee Expenses - Toronto Community Housing Corporation

Reports Issued by the Auditor General Prior to 2012 (cont'd)

- Procurement Policies and Procedures - Toronto Community Housing Corporation
- Police Paid Duty - Balancing Cost Effectiveness and Public Safety
- Protecting Whistleblowers from Retribution
- Review of Winter Maintenance Services
- Community Benefits Secured Under Section 37 or 45 of the Planning Act
- Management of Energy Loans and Grants Funded by the Ontario Power Authority
- Review of the Management and Funding of Inactive Landfill Sites
- Concession Agreements Review – Parks, Forestry and Recreation

Reports Issued by the Auditor General Prior to 2012 (cont'd)

- Review of Administration of Environmental Grants
- Disposal of Digital Photocopiers
- Governance and Management of City Computer Software
- Administration of Development Funds, Parkland Levies and Education Development Charges
- Administration of Land Transfer Tax
- Review of the SAP Competency Centre
- Status Report on Outstanding Recommendations for City Divisions
- Status Report on Outstanding Recommendations for City ABCs
- Toronto Zoo Construction Contracts Review
- Review of Internal Controls at Community Centres
- Toronto Police Service – Police Training

Reports Issued by the Auditor General Prior to 2012 (cont'd)

- Management of Capital Project 129 Peter Street
- Insurance and Risk Management
- Controls Over Ferry Service Revenue – Parks, Forestry and Recreation
- Governance and Management of City Wireless Technology
- Review of the Investigation of Sexual Assaults – A Decade Later, Toronto Police Service
- Controls Over Parking Tags
- Payment of Utility Charges
- Effectively Managing the Recruitment of Non-Union Employees in the Toronto Public Service
- Process for Non-Competitive Procurement (Sole Sourcing)

Reports Issued by the Auditor General Prior to 2012 (cont'd)

- Toronto Parking Authority Pay and Display Parking Operations – Review of Revenue, Expenditures and Procurement Practices
- Review of Disposal of Surplus IT Equipment – Security, Environmental and Financial Risks
- City Purchasing Card (PCard) Program
- Parks, Forestry and Recreation – Capital Program
- Protecting Water, Quality and Preventing Pollution – Assessing the Effectiveness of the City's Sewer Use By-Law, Toronto Water
- Review of Court Services, Toronto Police Service
- Disaster Recovery Planning for City Computer Facilities

Reports Issued by the Auditor General Prior to 2012 (cont'd)

- The Management of Information Technology Projects – Toronto Transit Commission
- Toronto Fire Services – Operational Review
- Review of the Administration of Leases on City-owned Property
- Homes for the Aged Division – Resident Fees and Trust Funds Review
- Toronto Public Library – Fines and Income Review
- Management of City Information Technology Assets
- Management of Construction Contracts
- Facilities and Real Estate – Maintenance and Administrative Controls Review
- Toronto Social Services – Recovery of Social Assistance Overpayments

Reports Issued by the Auditor General Prior to 2012 (cont'd)

- Toronto Police Service – Enterprise Case and Occurrence Processing System (eCOPS) Project
- Fleet Operations Review
- Toronto Emergency Medical Services Operational Review
- Payroll Processing Review
- Corporate Absenteeism/Attendance Management Review
- Economic Development, Culture and Tourism Department – Receivables Review
- Economic Development, Culture and Tourism Department – Recreation Registration and Permitting System Information Technology Review
- Toronto Zoo – Cash Controls

Reports Issued by the Auditor General Prior to 2012 (cont'd)

- Hostels Operations Review
- Economic Development, Culture and Tourism Department – Review of Receivables Relating to Parks and Recreation Operations
- Review of the Implementation of Recommendations of the Final Report of the Task Force on Community Access and Equity

Available at: www1.toronto.ca/audit/reports

Examples of Cost Savings

- Outlined on Appendix 3 in the Report
- In 2012 for 2 reports, savings are in excess of \$20,000,000
 - TCHC \$10,000,000
 - Employee Benefits Review \$10,800,000

Fraud and Waste Hotline Program

- Approved by Council in 2002
- Significant number of US municipal and state governments operate an anonymous fraud hotline
- Toronto's Fraud and Waste Hotline - first of its kind in Canada
- Other municipalities have since developed similar programs
 - Ottawa
 - Edmonton
 - Montreal
 - Halifax & Winnipeg in process of establishing a hotline
 - Calgary
 - Windsor

REPORT
fraud, waste & misuse of
City resources



Fraud & Waste
HOTLINE
416-397-STOP (7867)

Committed to integrity and accountability

Call
416-397-STOP (7867)

Write
The Auditor General's Office
Fraud and Waste Hotline
55 John Street, 9th floor
Toronto, ON M5V 3C6

Report online:
toronto.ca/fraudwastehotline
All contacts will be handled in confidence.

 **Toronto**

Follow-Up of Auditor General's Recommendations

Purpose:

To provide assurance that management has adequately implemented recommendations previously made by the Auditor General

Reported to Audit Committee on an annual basis

Summary of Budget Submission

Auditor General's Office	\$3,945,300
Includes External Audit Fees	\$ 349,900
Requested 2013 Budget	<u>\$4,295,200</u>

- Request represents a \$23,800 increase (0.6%) from the 2012 approved operating budget.
- Of the increase of \$23,800, an amount of \$21,800 is due to the increase in external audit fees.
- Excluding increase in audit fees, our budget increase is \$2,000 (0.1%)

Consequences of Continued Gapping

	2013 Budget Request (\$000s)	2012 Approved Budget (\$000s)	2012 Projected Actual (\$000s)
Salaries	3,285.6	3,273.6	3,075.5
Employee Benefits	863.5	875.5	827.5
Gapping	(335.0)	(335.0)	(335.0)
Services, Materials and Supplies	108.9	106.8	61.8
Interdepartmental Charges	22.3	22.3	22.0
Sub Total	3,945.3	3,943.2	3,651.8
External Audit Fees	349.9	328.2	328.2
Total	\$4,295.2	\$4,271.4	\$3,980.0

Benchmarking of Audit Costs

	2012 Municipal Budget (in \$000s)	2012 Audit Costs (in \$000s)	Audit Costs as a % of Municipal Budget
	\$	\$	%
Canadian Jurisdictions			
Vancouver	1,100,000	657	0.06
Ottawa	2,738,000	1,616	0.06
Toronto	10,200,000	7,004	0.07
Calgary	2,800,000	1,928	0.07
Halifax	788,000	793	0.10
Edmonton	1,880,000	2,093	0.11
Montreal	4,361,500	5,023	0.12
Quebec City	1,258,000	1,500	0.12
U.S. Jurisdictions			
Chicago	8,205,700	5,854	0.07
Philadelphia	7,338,388	7,556	0.10
Detroit	3,108,301	3,554	0.11
Phoenix	3,474,000	4,140	0.12
San Jose	2,317,725	2,969	0.13
San Francisco	6,828,705	12,126	0.18

Pre-Determined Budget Model

Quebec legislation requires audit budgets be set at a percentage of municipal budgets. Applying Quebec model to the City of Toronto:

2012 City Budget	\$10.2 Billion
0.11 per cent	\$11 Million
Total 2012 Audit Costs	\$7 Million (all audit functions)
Shortfall	<u>\$ 4 Million</u>

Who Audits the Auditor General?

- Financial attest audit
- Annual external audit to ensure that the operations of the Auditor General's Office are in compliance with policy
- Independent peer review - first by a Canadian municipality

