

2013 Annual Report
Requested by the Audit Committee –
Demonstrating the Value of the
Auditor General's Office

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POLICY FRAMEWORK FOR ACCOUNTABILITY OFFICERS

Approved by Council in 2009:

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



AUDITOR GENERAL'S ANNUAL REPORTS

Three separate reports –

Detailed Annual Budget Report

Annual Report on Fraud, Including the Operations of the Fraud and Waste Hotline

Demonstrating the Value of the Auditor General's Office



CONTENTS OF ANNUAL BUDGET REPORT

- Audit Framework
- Responsibilities of the Auditor General
- Professional Audit Standards
- Independent Quality Assurance Review
- Annual Compliance Audit
- Staff Training
- Benchmarking of Audit Costs with other Municipalities
- The Auditor General's Annual Audit Work Plan
- Finally Budget Request



ANNUAL REPORT ON FRAUD, INCLUDING THE OPERATIONS OF THE FRAUD AND WASTE HOTLINE

- Reported every year since 2002
- Serves as a model for cities across Canada and the US



AUDIT COMMITTEE REQUEST DEMONSTRATING THE VALUE OF THE AUDITOR GENERAL'S OFFICE

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

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

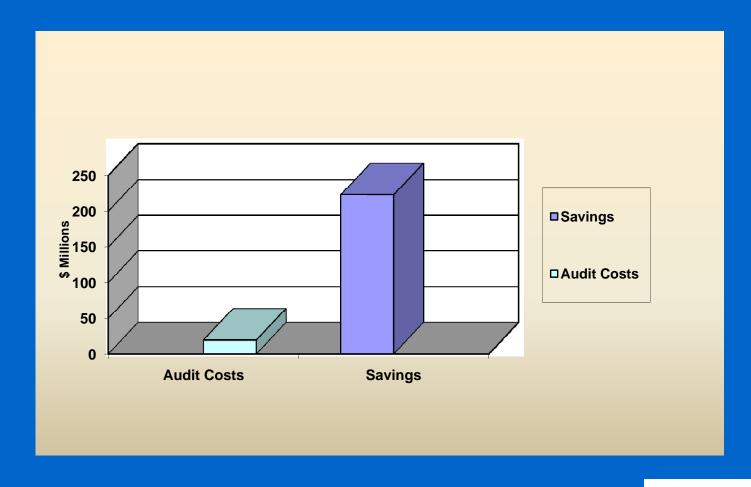


CONTENTS OF THIS REPORT

- Identifies estimated cost savings and revenue increases from audit reports issued between 2009 and 2013
- Savings from reports issued prior to 2009 are not included even though many of these savings are ongoing
- Recurring cost savings for reports issued between 2009 and 2013 are only projected for 5 years even though savings in many cases extend beyond 5 years



ESTIMATED \$11.50 SAVINGS FOR EVERY DOLLAR INVESTED IN THE OFFICE





2013 QUANTIFIABLE FINANCIAL BENEFITS

Savings from reports issued prior to 2013:

- 2012 Review of TTC Wheel-Trans Services
- 2010 Review of TCHC Procurement Policies

Savings from 2013 audit reports:

- Review of City Accounts Payable
- Review of EMS Payroll and Scheduling
- Review of Toronto Water Construction Contracts

Savings from Investigations of Fraud Related Matters



NON-QUANTIFIABLE BENEFITS FROM AUDIT REPORTS

- Generally overlooked because there are no dollar savings attached
- If possible to quantify, value would be significant



Example:

TCHC

- New Board of Directors
- New Senior Management team
- New professional and independent internal audit function
- More active and structured Corporate Affairs and Audit Committee
- More oversight over subsidiary companies
- Dissolved its major subsidiary company HSI



- Revised/Developed Policies for
 - Expenses
 - Purchasing Cards
 - Cash Advances
 - Procurement
 - Fleet
- Appointed a Senior Director of Strategic Procurement
- Created a Fraud Prevention Directive
- Launched a "Do What's Right Hotline"



SHARED SERVICES

Audit reports over the past number of years have included over 40 recommendations relating to Shared Services.

"The Shared Services Initiative will result in more efficient processes, consistent standards, enhanced client satisfaction, reduced costs and reduced duplication."

"We see tremendous opportunity for the City and its agencies to share these and other corporate support services to create economies of scale, pool resources and skills, leverage technology investments, and save money now and into the future."



SHARED SERVICES

- Audit Report in 2011 "Common Themes and Issues"
 - There are significant efficiencies to be gained by the consolidation of various administrative functions throughout the City and its Agencies and Corporations
- Mayor's Fiscal Review Panel in a 2008 report entitled "Blueprint for Fiscal Stability and Economic Prosperity – A Call to Action"
 - "the City should review its City-wide shared services departments and those of its ABCCs and look for opportunities to consolidate certain key functions and responsibilities"



SHARED SERVICES

- Shared Services Review by KPMG identified estimated savings from \$60.4 million to \$66.9 million
- Labour Relations Strategy and Coordination \$47 million
- Balance of Recommendations would save \$13.4 million to \$19.9 million annually



OTHER NON-QUANTIFIABLE BENEFITS

- Impact of Divisional recommendations across the City and its agencies and corporations
- Reduction in overtime
- Reduction in absenteeism (311 Division)
- Procurement Issues Use of a Fairness
 Commissioner now normal practice
- Coordination with other audit jurisdictions, particularly the Province of Ontario and the City of Montreal



RELATIONSHIPS WITH OTHER AUDIT JURISDICTIONS

- Province of Ontario Change in eligibility criteria for Special Diet Allowance Program in 2010
- City of Montreal Re-evaluation of procurement policies and procedures



OTHER AG OFFICES IN CANADA MODELLED ON TORONTO

- Ottawa
- Edmonton
- Calgary

- Winnipeg
- Halifax
- Sudbury

In an upcoming IIA Research Study, Toronto is recognized as one of only 10 "Best Practice" organizations in North America



CONCLUSION

- The Auditor General's role is not exclusively related to cost savings / increased revenues
- Important to appreciate both financial and nonfinancial audit benefits