Demonstrating the Value of the Auditor General’s Office

Jeff Griffiths, CPA, CA, CFE – Auditor General
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 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.”
CONTENT 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
NON-QUANTIFIABLE BENEFITS

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
NON-QUANTIFIABLE BENEFITS

- 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”
NON-QUANTIFIABLE BENEFITS

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.”
NON-QUANTIFIABLE BENEFITS

SHAREd SERVICES

  - There are significant efficiencies to be gained by the consolidation of various administrative functions throughout the City and its Agencies and Corporations

  - “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”
NON-QUANTIFIABLE BENEFITS

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 MODELLLED 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 non-financial audit benefits