



## AUDITOR GENERAL'S REPORT ACTION REQUIRED

### Auditor General's Office – 2015 Operating Budget

<b>Date:</b>	February 10, 2015
<b>To:</b>	Audit Committee
<b>From:</b>	Auditor General
<b>Wards:</b>	All
<b>Reference Number:</b>	

### SUMMARY

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This report provides information relating to the 2015 Operating Budget for the Auditor General's Office.

The Auditor General's 2015 Operating Budget request is \$4,716,600. This equates to a \$31.5 thousand (0.67 per cent) increase over the 2014 Council approved budget.

In normal circumstances the budget of the Auditor General's Office would be tabled with the Audit Committee sometime in November, prior to submission to the Budget Committee. Due to the election and the compressed budget process time frame, this was not possible. The current process is consistent with the approach taken following the 2010 election.

Discussions were held with the City Clerk's Office and it was determined that a direct submission of the 2015 budget to Budget Committee would be appropriate.

The current Budget Chief and the former Chair of the Audit Committee have been updated on the approach being taken this year, and that is consistent in past practice. The Auditor General's Office 2015 Budget was presented to the Budget Committee on January 29, 2015.

## RECOMMENDATION

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### The Auditor General recommends that:

1. The Audit Committee approve the 2015 Operating Budget for the Auditor General's Office, attached to the report (February 10, 2015) from the Auditor General, and direct that it be forwarded to the Executive Committee for its meeting on March 2, 2015 for consideration with the 2015 Capital and Operating Budgets.

## FINANCIAL IMPACT

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The budget request of the Auditor General for 2015 has increased by \$31.5 thousand from the 2014 level. The increase in the Auditor General's budget from 2014 to 2015 is 0.67 per cent. This increase is due to a small non-salary increase to hire a third party subject matter expert to assist with certain audits offset to a large extent by a net decrease in salaries.

The majority of the Auditor General's 2015 budget request consists of salaries and benefits. Salaries and benefits comprise just under 97 per cent of the total budget.

An analysis of the budget request (in 000's) is as follows:

	2015 Budget Request (\$000)	2014 Approved Budget (\$000)	Increase	%
Budget	\$4,716.6	\$4,685.1	\$31.5	0.67

## ISSUE BACKGROUND

In May 2002, City Council approved an independent Auditor General's Office for the City of Toronto. *The City of Toronto Act, 2006* subsequently formalized the establishment of the Auditor General. Section 177 of the Act requires that "The City shall appoint an Auditor General".

Section 178 of the Act states that "*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 is responsible for evaluating programs, activities and functions of Divisions, Agencies and Corporations, and the Offices of the Mayor and Members of Council. The Auditor General's Office includes: performance and IT auditors, and a Forensic Unit operating the Fraud and Waste Hotline.

The Auditor General's Office is independent from management. The Auditor General reports directly to Council through the Audit Committee. As an independent office, the

Auditor General submits an annual work plan and budget to the Audit Committee. Of note, the Auditor General's budget is forwarded directly to Audit Committee without a detailed review by the City's Financial Planning Division.

Detailed information relating to the 2015 budget is contained in the attached document, entitled "Auditor General's Office – 2015 Operating Budget" (Appendix 1). This document was submitted to Budget Committee on January 29, 2015 for review as part of the 2015 Budget process.

## **COMMENTS**

The City is obtaining value for the current resources allocated to the Auditor General's Office. In terms of value for money the Auditor General's Office over the years has clearly demonstrated that the cost savings/revenue increases identified through its audit work are significantly in excess of its annual budget. Examples of some of the potential annual cost savings are included in Appendix 3, and the annual benefits of the Office are outlined in the Auditor General's 2013 annual benefits report.

<http://www1.toronto.ca/wps/portal/contentonly?vgnextoid=8f58f58c18921310VgnVCM100003dd60f89RCRD&vgnnextchannel=00c3e03bb8d1e310VgnVCM10000071d60f89RCRD>

The annual office budget is not excessive. The slight increase in the Auditor General's budget relates to salary increases for cost of living and performance pay, non salary budget economic factor increases and a small non-salary increase to hire a third party subject matter expert to assist with certain audits. These increases were offset to a large extent by a lower starting compensation package for the incoming Auditor General resulting in the net increase of only \$31.5 thousand.

Considering the size and complexity of the City and size of the City's budget, the current budget of the Auditor General's Office is, proportionately, significantly less than all major cities in North America as shown in Appendix 1. Based on this analysis, the Auditor General's budget should be increased to a level commensurate with the size of the City and complexity of government. The Auditor General is not requesting a significant budget increase at this time. Should more resources be approved for use by the Auditor General, the office is positioned to deploy them in the immediate production of audit projects.

The Office is in the process of completing a five-year strategic plan and a detailed risk assessment of City operations. The risk assessment is conducted every five years by the Auditor General's Office. The priorities identified from the risk assessment and the results of trends identified through the work of the Forensic Unit will inform a multi-year Audit Work Plan that will be presented to the Audit Committee in the spring of 2015. The need for additional resources will be revisited and discussed with the Audit Committee and form part of the 2016 budget submission.

## **CONCLUSION**

While appreciative of the financial constraints at the City, the current staffing under which the Office will be required to operate is inadequate for a City of the size and complexity of Toronto.

Under all available yard sticks, whether it be legislative requirements in other jurisdictions or comparisons with other municipalities, the level of staff in the Auditor General's Office in relation to the audit work required is inadequate. Based on the cost savings identified in this report, which are examples only, the return on the investment of funds in the Auditor General's Office is significant. The Auditor General's annual benefits report on 2013 results indicates that for each \$1 invested in audit resources, the return in relation to cost savings is approximately \$11.5.

## **CONTACT**

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## **SIGNATURE**

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Beverly Romeo-Beehler, Auditor General

## **ATTACHMENTS**

Appendix 1 – Auditor General's Office – 2015 Operating Budget

Appendix 2 – Auditor General's Office – Audit Reports Issued 2009-2014

Appendix 3 – Examples of Potential Annual Cost Savings Identified as a Result of Various Audits

**AUDITOR GENERAL'S REPORT**

**Auditor General's Office  
2015 Operating Budget**

**January 6, 2015**

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**Beverly Romeo-Beehler, CPA, CMA, B.B.A, JD  
Auditor General**



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## THE AUDIT FRAMEWORK AT THE CITY OF TORONTO

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***City Council approved an independent Auditor General's Office in 2002***

In May 2002, City Council approved an independent Auditor General's Office for the City of Toronto in conjunction with the implementation of a new audit framework. The *City of Toronto Act, 2006* (the *Act*) subsequently formalized the establishment of the Auditor General. Section 177 of the *Act* requires that "The City shall appoint an Auditor General".

***Audit framework established three levels of audit***

The 2002 audit framework established three levels of audit services for the City of Toronto. This framework is consistent with best practices in most major cities.

***Auditor General's Office***

(1) The Auditor General's Office was created in order to report directly to and provide assurance strictly for City Council. The *Act* has not changed this requirement.

***Internal Audit Division***

(2) A separate Internal Audit Division reporting to the City Manager was established to provide assurance and management consulting advice for the City's Executive Management Team.

***External Financial Auditor***

(3) As required by the *Act*, an external auditor is appointed by City Council to perform the annual statutory audit of the City's financial statements including agencies and corporations and provide an opinion on the fairness of the information presented in these financial statements.

### **The Auditor General's Office**

***City of Toronto Act and the Auditor General***

Chapter 3 of the Municipal Code sets out duties and responsibilities of the City's Accountability Officers. As indicated above, the *City of Toronto Act, 2006* mandates the appointment of an Auditor General who reports to City Council. Under Section 178 (1) 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 Internal Audit Division – City Manager’s Office**

### ***Internal audit function***

The Internal Audit Division reports to the City Manager and is responsible for providing internal audit services and support to senior management in the City. The internal audit function provides consulting services designed to improve the administration of municipal operations and promote compliance with City policies and procedures.

## **External Financial Auditor**

### ***Annual audit of City’s financial statements***

Under Section 139 of the *Act*, the City is required to appoint an external auditor licensed under the Public Accounting Act 2004. This auditor is responsible for annually auditing the accounts and transactions of the City and its Agencies and Corporations and expressing an opinion on the financial statements of these bodies based on the audit. Also in accordance with the *Act*, the auditor shall not be appointed for a term exceeding five years and shall not be a City employee or an employee of a local board of the City. The auditor reports to City Council.

### ***Auditor General oversees external audit contract***

PricewaterhouseCoopers, an external public accounting firm, is responsible for the annual statutory audit of the City’s financial statements under a five-year term contract starting January 1, 2010. The Auditor General is responsible for issuing the request for proposal to secure the external audit services required by the City and maintains an oversight role for these statutory audits.

### ***Other financial statement audits***

Separate external auditors have been appointed for the City Community Centres, City Arenas and a number of other City entities (Heritage Toronto, Yonge-Dundas Square Board of Management, the Toronto Atmospheric Fund and the Clean Air Partnership).

In November 2012, City Council approved a five-year contract with Welch LLP, for the years 2013 to 2017 inclusive, to perform the financial statement audits for these entities.



## **Internal Audit Functions at the Toronto Transit Commission and the Toronto Police Service**

Separate internal audit functions exist at both the Toronto Transit Commission and the Toronto Police Service. The internal audit function at the Toronto Transit Commission and the Toronto Police Service report directly to the Chief Executive Officer and Chief of Police respectively.

## **Internal Audit Function at the Toronto Community Housing Corporation**

An independent internal audit function has recently been established at the Toronto Community Housing Corporation. The function reports to the Corporate Affairs and Audit Committee.

## **Coordination and Consultation with Other Audit Functions**

Audit work at the City requires coordination with the City Manager's Internal Audit Division, as well as audit groups at the Toronto Transit Commission, the Toronto Police Service and the Toronto Community Housing Corporation.

The Auditor General meets with each of these groups on a regular basis in order to ensure that he is aware of any audit concerns and to ensure that there is no duplication of audit work.

The Auditor General also meets regularly with both the external auditor PricewaterhouseCoopers and the City's other Accountability Officers to discuss any issues of mutual concern.

Finally, the Auditor General meets with the City Manager periodically to discuss a wide range of issues, including the annual work plan, upcoming audit reports, internal audit work and issues of concern.

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## THE AUDITOR GENERAL'S OFFICE

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As outlined under Section 178 of the *Act*, “*The Auditor General is responsible for assisting city council in holding itself and its administrators accountable for the quality of stewardship over public funds and for the achievement of value for money in city operations.*”

*The audit process is an independent, objective assurance activity*

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

### **Responsibilities of the Auditor General**

*Auditor General's independence, authority and reporting*

In carrying out its audit activities, the Auditor General's Office is independent of management, and has the authority to conduct financial, operational, compliance, information systems, forensic and other special reviews of City divisions, and those local boards provided for under the *Act* and such City-controlled corporations and grant recipients as City Council may specify. The Auditor General reports to Council through the Audit Committee.

***Specific responsibilities of the Auditor General***

Specific responsibilities of the Auditor General include:

1. Conduct audit projects identified by the Auditor General through the Auditor General's risk assessment process. Such projects are included in the Auditor General's annual work plan.
2. Conduct forensic investigations including those involving suspected fraudulent activities.
3. Conduct special assignments identified by the Auditor General, or approved by a two-thirds majority resolution of Council.
4. Manage the Fraud and Waste Hotline Program as well as the referral of certain concerns and issues to divisional management.
5. Oversee the work and the contract of the external auditors performing annual financial statement audits.
6. The follow up of recommendations contained in previous audit reports.

**Professional Audit Standards**

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

The Auditor General's Office conducts its audit work in accordance with generally accepted Government Auditing Standards. Audits are conducted in accordance with these standards, which relate to independence, objectivity, professional proficiency, scope and performance of work.

***Staff bound by professional standards and ethics***

Staff are also bound by the standards and ethics of their respective professional organizations, which include the Chartered Professional Accountants of Ontario, the Certified General Accountants Association, the Society of Management Accountants, the Information Systems Audit and Control Association, the Institute of Certified Fraud Examiners, and the Institute of Internal Auditors. All professional members of the Auditor General's Office have at least one professional designation. Details of staff qualifications are provided on the following web site:

<http://www1.toronto.ca/wps/portal/contentonly?vgnextoid=68f289b44e713310VgnVCM1000003dd60f89RCRD&vgnextchannel=06e3e03bb8d1e310VgnVCM10000071d60f89RCRD>

## **Independent Quality Assurance Review of the Auditor General’s Office**

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

A requirement of Government Auditing Standards is that audit organizations undergo an external independent quality assurance review at least once 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. A quality assurance 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 during August 2012. The Auditor General received an “unqualified opinion” for the review. An unqualified opinion is the highest rating possible and indicates that the 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 US. The reports issued by ALGA are attached to this report as Exhibit 2.

The next quality assurance review will be conducted in June 2015.

## **Annual Compliance Audit**

### ***Auditor General in compliance with all appropriate City policies***

The Auditor General’s Office undergoes an annual compliance audit by a separate and independent external auditor, appointed by and reporting to City Council. The annual compliance audit provides Council assurance that the Auditor General’s Office is carrying out its operations within delegated authorities and in compliance with applicable City bylaws and policies. The annual compliance report for the year ended December 31, 2013 was presented to Audit Committee on May 28, 2014. The report issued by Hilborn Ellis Grant LLP the independent external auditor is attached to this report as Exhibit 3.

The report indicates 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.”*

## **Staff Training**

### ***Auditor General's commitment to staff training***

The Auditor General's Office is committed to ensuring that staff maintain professional proficiency through continuing professional education (CPE) in accordance with Government Auditing Standards. These standards require that each auditor complete 80 hours of CPE every two years with at least 24 hours directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. In the context of budget restrictions this requirement is becoming increasingly difficult.

### ***Auditor General's staff training program***

The Auditor General's Office establishes a training program each year to assist staff in meeting these requirements. An internal Training Committee oversees the training program of the Office. Staff are required to prepare an annual training plan outlining the courses or activities to be undertaken to meet the CPE hourly requirements described above, to retain professional certification, or to meet staff's professional needs. These plans are approved by senior management.

The Office maintains a record of each staff member's training in accordance with Government Auditing Standards.

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## THE AUDITOR GENERAL'S OFFICE – 2015 BUDGET REQUEST

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### 2015 Budget Request

Details relating to the 2015 budget request for the Auditor General's Office are as follows:

	<b>2015 Budget Request (\$000s)</b>	<b>2014 Approved Budget (\$000s)</b>	<b>2014 Projected Actual (\$000s)</b>
Salaries	3,634.2	3,654.2	3,527.7
Employee Benefits	926.3	927.1	888.9
Gapping	(39.5)	(39.5)	(39.5)
<b>Sub Total</b>	<b>4,521.0</b>	<b>4,541.8</b>	<b>4,377.1</b>
Services, Materials and Supplies	173.3	121.0	76.2
Interdepartmental Charges	22.3	22.3	22.3
<b>Sub Total</b>	<b>195.6</b>	<b>143.3</b>	<b>98.5</b>
<b>Total</b>	<b>4,716.6</b>	<b>4,685.1</b>	<b>4,475.6</b>

***Budget request***

The amount of \$4,716.6 thousand is the Auditor General's budget request for 2015.

***0.67% increase from 2014 to 2015 budget***

The budget request of the Auditor General for 2015 has increased by \$31.5 thousand from the 2014 level. The increase in the Auditor General's budget from 2014 to 2015 is 0.67 per cent. This relates to salary increases for cost of living and performance pay, non salary budget economic factor increases and a small non-salary increase to hire a third party subject matter expert to assist with certain audits. These increases were offset to a large extent by a lower starting compensation package for the incoming Auditor resulting in the net increase of only \$31.5 thousand.

***97% of budget is salaries and benefits***

The majority of the Auditor General's 2015 budget request consists of salaries and benefits. The percentage of salaries and benefits to the total budget is just under 97 per cent.

*Auditor  
General's Office  
staff  
complement*

The Auditor General's Office full staff complement consists of 29.5 staff positions comprised of four senior management, 22.5 professional, a supervisor administration and 2 administrative staff positions.

*Management of  
the City's Fraud  
and Waste  
Hotline*

The Auditor General's Office has been administering the City's Fraud and Waste Hotline Program since its inception in 2002. The Auditor General's Forensic Unit is dedicated to managing the Hotline Program. As well, the Forensic Unit is responsible for conducting investigations and providing oversight related to investigations referred to management. The Hotline and the Auditor General's Forensic Unit identifies the risk of fraud and other wrongdoing.

*Increase in  
allegations*

Since the inception of the Hotline Program, the number of complaints has generally increased, levelling off to a certain extent over the past two years. In 2014 the program received 640 complaints. It should be noted that many complaints contain multiple allegations. Approximately 35 per cent of complaints received in 2014 include two or more allegations. As a result, approximately 1,100 allegations were processed by the Hotline Program staff.

## **Financial Benefits Identified By the Office Are Significantly in Excess of its Budget**

*Cost  
savings/revenue  
increases in  
excess of the  
annual budget*

In terms of value for money the Auditor General's Office over the years has clearly demonstrated that the cost savings/revenue increases identified through its audit work are significantly in excess of its annual budget.

*Reports issued  
since 2009*

Appendix 2 attached to this report lists the audit reports issued by this office since 2009.

## The Benchmarking of Audit Costs – Comparisons With Other Municipalities

The Auditor General’s Office has benchmarked 2014 City audit costs with those of major municipalities across Canada, as well as those of a number of municipalities in the United States.

### Comparison of Audit Costs

	<b>2014 Municipal Budget (in \$000s)</b>	<b>2014 Audit Costs (in \$000s)</b>	<b>Audit Costs as a % of Municipal Budget</b>
	\$	\$	%
<b>Canadian Jurisdictions</b>			
<b>Toronto</b>	<b>11,176,154</b>	<b>4,685</b>	<b>0.04</b>
Vancouver	1,177,500	720	0.06
Ottawa	2,916,200	1,711	0.06
Calgary	3,679,300	2,236	0.06
Halifax	845,000	868	0.10
Edmonton	2,075,800	2,195	0.11
Quebec City	1,333,800	1,465	0.11
Montreal	4,895,400	5,951	0.12
Laval	761,200	1,295	0.17
<b>U.S. Jurisdictions</b>			
Chicago	8,672,100	5,769	0.07
Dallas	3,270,500	2,677	0.08
Austin	2,810,400	2,391	0.09
Los Angeles	7,685,500	6,924	0.09
Detroit	3,502,500	3,944	0.11
Phoenix	2,912,600	3,298	0.11
San Jose	2,439,500	2,960	0.12
San Diego	2,795,300	3,889	0.14
San Francisco	7,915,900	13,672	0.17



***Audit costs are the lowest***

Audit costs relating to the Auditor General's Office as a percentage of the City's municipal budget is in the range of 0.04 per cent. This percentage is the lowest of all major cities in Canada and the US.

This percentage is consistent with that reported in the City Manager's recent report entitled "Results Arising from the Shared Services Study Related to Internal Audit and Jurisdictional Research Respecting Funding Models for Accountability Functions" adopted at City Council April 2013. This report included the following statement:

*"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."*

***Difficult to make exact comparisons***

The benchmarking of audit costs is not a precise exercise due to the difficulties in obtaining comparative, accurate and complete information. We have endeavored to ensure that comparative information has been provided.

***Toronto audit costs***

The total costs of \$4,685.1 thousand represents audit costs of the Auditor General's Office only. The comparatives for other Canadian and US jurisdictions represent similar functions as those of the City's Auditor General.

It is acknowledged that there are other audit functions throughout the City, although these functions are not independent as they report to management. Nevertheless, if the budgets of these entities were included in the total audit costs of the City, the percentage of audit costs to the City's budget would still only be in the range of 0.07 per cent.

**Predetermined Audit Costs in Certain Jurisdictions**

***Quebec legislation mandates audit resources be a set percentage of the total City budget***

Of significance in the comparison of audit costs between municipalities is legislation in Quebec. The Quebec Cities and Towns Act in Section 107.5 requires that, "*The budget of the municipality shall include an appropriation to provide for payment of a sum to the chief auditor to cover the expenses relating to the exercise of the chief auditor's duties.*"

The amount legislated for audit services in municipalities with a budget in excess of \$1 billion is 0.11 per cent of the total City budget. If the equivalent percentage of 0.11 per cent was applied to the City of Toronto, the City's total audit budget would be in the range of \$11 million. This percentage approximates the median audit budget as a percentage of operating budgets for the cities included in the table above.

***Quebec model  
would increase  
City audit budget  
by over \$6 million***

Using the Quebec model as a guide, the audit budget at the City would increase significantly. We are not suggesting that such an increase be considered without significant additional deliberation or analysis, nor are we suggesting that these additional resources be exclusively allocated to the Auditor General's Office.

The above analysis does, however, demonstrate that audit resources at the City are not excessive and should be increased to a level commensurate with the size and complexity of the City.

***City Manager's  
recent report on  
funding models  
for accountability  
functions in the  
City***

In April 2013 City Council adopted a report from the City Manager entitled "Results Arising from the Shared Services Study Related to Internal Audit and Jurisdictional Research Respecting Funding Models for Accountability Functions". This report included the following:

*"If the Province of Quebec's percentage formula of 0.11% is applied the Auditor General's budget 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 the Auditor General's Office, are lean relative to the size and complexity of Toronto's government."*

*"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."*

***Recognize the financial constraints***

In submitting the 2015 budget request we recognize the financial constraints under which the City operates and over the past number of years our budget requests have reflected this reality. Nevertheless, it is important to recognize that the audit work conducted by this Office is not at a level commensurate with the size and complexity of the City, and the value received exceeds the costs of the program. In order to address audit projects which have been deferred and accommodate the increased volume of allegations received by the Fraud and Waste Hotline and through the Forensic Unit, additional resources would be effectively utilized.

The Auditor General is in the process of developing a strategic plan, undertaking a comprehensive risk assessment of all City operations and laying out a multi-year Audit Work Plan that will be provided to the Audit Committee.

**City-wide Risk Assessment**

***City-wide risk assessment due in 2014 and reassessing workload and work plans***

The Auditor General's Office conducts the City-wide risk assessment every five years to identify organizational risk. The process increases the auditor's knowledge of the audit environment and identifies high risks that require audit attention. The last risk assessment was completed in 2009. A significant amount of audit resources are dedicated to complete this process. The results of this assessment will be used to set the audit priorities for the next five years and inform future budget requests. This information will also provide better information to inform the discussion regarding the cost/benefit of increasing funding to the Auditor General's Office.

**Fraud and Waste Hotline**

***Importance of the Forensic Unit and the Fraud and Waste Hotline***

The work of the Forensic Unit is integral to the Auditor General's responsibility to assess the quality of the stewardship over public funds and evaluate value for money. The Forensic Unit receives allegations related to the misuse, waste and misappropriation of public funds and assets. The Forensic Unit coordinates the investigation into each allegation of wrongdoing. Over the years, data collected in relation to allegations received provide a picture of significant risks impacting the City's stewardship over public funds and the achievement of value for money in operations. The data or information is used to identify where audits are needed.

***Fraud and Waste Hotline supported by City Council***

The Hotline Program helps the Auditor General to fulfill her mandate under the *City of Toronto Act*. The benefits of the Hotline Program in the prevention and detection of fraud and waste at the City have been recognized and endorsed by Council.

City Council adopted a *Fraud Prevention Policy* in 2000 to provide guidance to employees when misuse or misappropriation of City resources and assets are suspected and to outline the responsibilities of the Auditor General and management for investigating and resolving allegations. In November 2002, after a six-month pilot, City Council also authorized the Auditor General to establish and operate a fraud and waste hotline program.

This core responsibility was reinforced through Council's adoption of a new framework for the disclosure and investigation of wrongdoing, pursuant to Council's approval of a Toronto Public Service By-law, at its meeting of June 10-11, 2014.

***Additional responsibilities assigned by City Council***

The by-law reinforces the Auditor General's role to continue to operate the Fraud and Waste Hotline Program and maintain oversight in the investigation and resolution of reported wrongdoing at the City. The by-law also assigned to the Auditor General the responsibility to investigate complaints of reprisal or retribution.

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

Prevention and detection remain key components in managing the business risk of fraud that results in direct financial losses and indirect costs such as additional management resources to investigate and correct wrongdoing. The Association of Certified Fraud Examiners reported in its 2014 Global Fraud Study that fraud tips are consistently and by far the most common detection method to discover fraud. Over 40 per cent of all fraud and waste cases were detected by a tip, more than twice the rate of any other detection method. They also noted that employees account for nearly half of all tips that led to the discovery of fraud. Organizations with hotlines were much more likely to detect fraud by a tip.

***Increase in Fraud and Waste Hotline activity***

When the Hotline was established it was recognized and acknowledged that during its initial phase the Hotline could be accommodated with existing resources. The number of complaints submitted to the Fraud and Waste Hotline has increased significantly since the inception of the program, although from year to year, the number of complaints can vary.

This volume is expected to grow during the next year when the Forensic Unit refreshes its communication campaign to encourage employees and the public to forward fraud and waste complaints to the Hotline.

By necessity the Auditor General’s Office is selective in the investigative work it conducts due to limited staff resources. The majority of investigations are coordinated with divisional management, but the Auditor General’s Office provides oversight, maintaining independence at all times.

The number of allegations increases and decreases because of the dynamic nature of the hotline program and various other factors. For example, the decrease in allegations in 2012 related to a decrease in the number of allegations involving the Toronto Community Housing Corporation (TCHC). In 2011, the hotline program received 121 allegations regarding TCHC in response to various high profile audit reports issued by the Auditor General's Office while in 2012 and 2013 it received 57 and 56 complaints respectively relating to TCHC.

***Fraud and Waste  
Hotline Program  
complaint volume  
since its inception***

The activity of the Fraud and Waste Hotline Program since its inception has been as follows:

**Fraud and Waste Hotline Program  
Number of Allegations by Year**

<b>Year</b>	<b>Number of Individual Complaints</b>	<b>Multiple Allegations Tracked 2011 onwards</b>
2002	157	↓
2003	238	
2004	347	
2005	577	
2006	503	
2007	523	
2008	619	
2009	677	
2010	570	
2011	822	
2012	774	1,500
2013	643	1,000
2014	687	1,200

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. The benefits of the Hotline and the Forensic Unit have been included in our annual reports.

<http://www1.toronto.ca/wps/portal/contentonly?vnextoid=35f974f2ea664310VgnVCM1000003dd60f89RCRD&vnextchannel=33f3e03bb8d1e310VgnVCM10000071d60f89RCRD&appInstanceName=default>

## **Benefits of an Effective Audit Process**

*An effective audit process results in significant payback to the City*

An effective audit process can result in a significant payback to the City in terms of:

- increased revenues
- reduced costs
- improved internal controls
- operational efficiencies
- enhanced protection of City assets.

The costs savings generated by the Auditor General's Office since amalgamation, while difficult to quantify precisely, have been significant and far outweigh the costs to operate the office. Most of the savings generated represent on-going annual savings.

*Cost savings on an annual or one time basis*

Costs savings and/or revenue increases as a result of audit reports occur on an annual basis or on a one time basis. While the listing of reports on Appendix 2 specifically outlines reports issued from 2009 to 2014, the City continues to benefit from annual cost savings identified in reports from as far back as 2000.

*Cost savings over last five years are in the range of \$223.1 million*

In a report to the Audit Committee dated February 7, 2014 entitled "Demonstrating the Value of the Auditor General's Office", it was reported to Audit Committee that the actual potential net savings for the period 2009 to 2013 were in the range of \$223.1 million. The next annual report, updated for 2014 audits, will be tabled with the Committee at its first meeting in 2015.

***\$11.50 dollar  
return for every \$1  
invested***

In simple terms for every \$1 invested in the Auditor General's Office the return has been approximately \$11.50.

***Significant cost  
savings and other  
benefits***

While certain audits have resulted in cost savings, other benefits related to the avoidance of future costs, improvements to internal controls as well as the protection of City assets have also occurred.

***Recent examples  
of annual cost  
savings***

More recent examples of potential annual cost savings identified as a result of various audits are listed on Appendix 3.

***Other reports  
issued and the  
benefits***

Other reports issued by the Auditor General have produced benefits which in many cases are difficult to quantify. These include:

- The Review of the Investigation of Sexual Assaults – A Decade Later
- Review of the SAP Competency Centre
- City Purchasing Card Program
- Managing the Recruitment of Non-Union Employees
- Review of Disposal of Surplus IT Equipment
- Audit of City Performance in Achieving Access, Equity and Human Rights Goals

Each one of these reviews has significant benefits which are not necessarily financially related.

## **The Impact of the *City of Toronto Act***

The *City of Toronto Act* has had an impact on the Auditor General's ability to audit certain of the City's local boards. Prior to the *Act*, the Auditor General had access to all records at each of the City's local boards and was able to conduct audit work based on his analysis of risk.

***City of Toronto  
Act limits Auditor  
General’s  
authority to audit  
“restricted” local  
boards***

The *Act* states, in Section 178 (3) under Powers and Duties of the Auditor General that “*the Auditor General may exercise the powers and shall perform the duties as may be assigned to him or her by city council in respect of the City, its local boards (restricted definition) and such city controlled corporations and grant recipients as city council may specify.*”

Under the *Act*, “local boards (restricted definition)” is defined as a local board other than the Toronto Police Services Board, the Toronto Public Library and the Board of Health. In essence, the Auditor General of the City of Toronto has no authority under the legislation to access records or conduct audit work at those “restricted” local boards.

***Auditor General  
working with  
“restricted” local  
boards***

The former Auditor General met with both the City Manager and the City Solicitor to further address this matter. The City Solicitor has advised that Council may extend the mandate of the Auditor General to include audits of the “restricted” local boards based upon specific requests of these boards. City Council subsequently approved that the Auditor General, at his discretion, may undertake financial, (excluding attest) compliance and performance audits of the “restricted” local boards upon request by the boards.

We should note that in particular, the Toronto Police Services Board has made requests in the past, and a significant amount of work has been conducted at the Toronto Police Service. We trust this will continue, and the Auditor General intends to meet with other restricted local boards to discuss the benefits of audits conducted by the Office.

Further, it is anticipated that the Province of Ontario will be requested to amend the *Act* to include the “restricted” boards in those entities subject to audit by the Auditor General.



## **The Auditor General's Annual Audit Work Plan**

The 2015 Audit Work Plan will be tabled at the first Audit Committee meeting in 2015, and it will be updated in May, once the results of the risk assessment have been finalized. Potential future audits range from assessing the procurement process and performance of major city contractors and testing the vulnerability of the City's IT systems to evaluating affordable housing initiatives and reviewing controls over expenditures.

For information purposes, the 2014 Audit Work Plan is available at:

<http://www1.toronto.ca/wps/portal/contentonly?vnextoid=580f74f2ea664310VgnVCM1000003dd60f89RCRD&vnextchannel=00c3e03bb8d1e310VgnVCM10000071d60f89RCRD>

## **Conclusion**

The budget to operate the Auditor General's Office for 2015 is projected to be \$4,716.6 thousand. As indicated previously, 97 per cent of the Auditor General's budget request consists of salaries and benefits.

***\$11.50 dollar  
return for every  
\$1 invested***

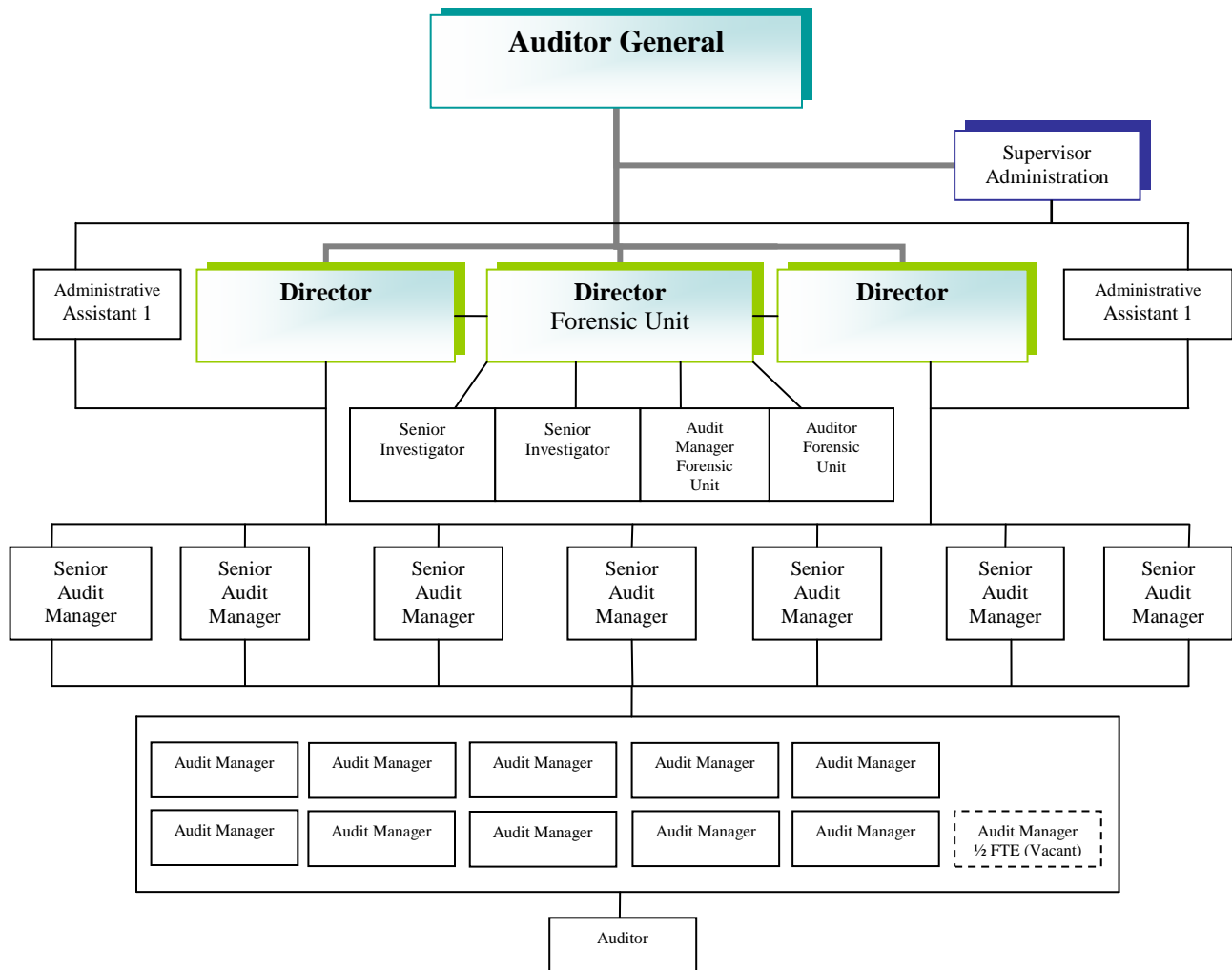
Based on the cost savings identified in this report, which are examples only, the return on the investment of funds in the Auditor General's Office is significant. The report entitled "Demonstrating the Value of the Auditor General's Office" indicates that for each \$1 invested in audit, the return is approximately \$11.50.

<http://www1.toronto.ca/wps/portal/contentonly?vnextoid=8f58f58c18921310VgnVCM1000003dd60f89RCRD&vnextchannel=00c3e03bb8d1e310VgnVCM10000071d60f89RCRD>

Measured by all available yard sticks, whether it be legislative requirements in other jurisdictions or comparisons with other municipalities, the budget of the Auditor General's Office is inadequate in relation to the audit work required in the City. In the short-term however, the Auditor General's Office will work within the available resources while it is finalizing a major risk assessment that will identify additional audit priorities and the related resourcing requirements for the coming years.

**THE AUDITOR GENERAL'S OFFICE –  
ORGANIZATIONAL CHART AND WORKFORCE**

**As at December 31, 2014**





## Association of Local Government Auditors

August 24, 2012

### **OFFICERS**

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Audit Services Director  
Portland, OR

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**Bill Greene**  
Acting City Auditor  
Phoenix, AZ

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*Past President*  
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Maricopa County Auditor  
Phoenix, AZ

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Chief Auditor  
LA Metropolitan Transportation  
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**Denny Nester**  
City Auditor  
Colorado Springs, CO

**Tina Adams**  
Senior Auditor  
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**Pamela Welpert**  
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Oakland County, MI

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Mr. Jeffrey Griffiths  
Auditor General  
City of Toronto  
9th floor, Metro Hall  
55 John St.  
Toronto, ON M5V 3C6

Dear Mr. Griffiths:

We have completed a peer review of the City of Toronto Auditor General's Office for the period January 1, 2009 through December 31, 2011. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards*. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the City of Toronto Auditor General's Office internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during January 1, 2009 through December 31, 2011.

We have prepared a separate letter offering one observation and suggestion to further strengthen your internal quality control system.

Sincerely

Beth Breier  
City of Tallahassee, FL

Bill Greene  
City of Phoenix, AZ



# Association of Local Government Auditors

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August 24, 2012

Mr. Jeffrey Griffiths  
Auditor General  
City of Toronto  
9th floor, Metro Hall  
55 John St.  
Toronto, ON M5V 3C6

Dear Mr. Griffiths:

We have completed a peer review of the City of Toronto Auditor General's Office (Office) for the period January 1, 2009 through December 31, 2011, and issued our report thereon dated August 24, 2012. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your Office excels:

- The extensive Risk Assessment process the Office conducts to develop the five-year risk assessment and annual audit plans. The process includes: detailed analyses of the major City divisions, Agencies, Commissions, and Corporations and an extensive use of 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 workpapers 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.
- The Issue Development Worksheet is a good tool to develop the report issues and be more efficient in the report writing phase.
- Audit planning steps culminating with the issuance of a Terms of Reference letter is an effective way to communicate the results of the preliminary assessment, the audit objectives, scope, and methodology to management staff and assist in the development of the fieldwork audit program.
- The administrative staff were very efficient and gracious, and we observed how their organizational skills benefited your audit work.

We offer the following one observation and suggestion to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

- Government Auditing Standards 1.25 states that performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, and facilitate decision making. Generally, when an audit organization reports information without following Generally Accepted Government Auditing Standards, the work product is categorized as nonaudit service instead of a performance audit.

While reviewing the various engagements and work performed in your Office, we noted 1 out of 50 reports was classified as administrative in nature when it should probably have been classified as an audit or nonaudit. This written report included analytics and audit procedures and was provided to management and Council to assist in reducing costs and facilitating decision making and was posted to the Office website for public use.

We suggest that for similar future projects the Office evaluate the classification of this work (i.e. either performance audit or nonaudit services) and apply the appropriate standards.

We extend our thanks to you, your staff and the other city officials we met for the hospitality and cooperation extended to us during our review.

Sincerely

Beth Breier  
City of Tallahassee, FL

Bill Greene  
City of Phoenix, AZ



Auditor General's Office

Jeff Griffiths, C.A., C.F.E.  
Auditor General

**Metro Hall**  
55 John St. 9<sup>th</sup> Floor  
Toronto, Ontario M5V 3C6

Tel: 416-392-8461  
Fax: 416-392-3754

August 24, 2012

Beth Breier  
Audit Manager  
300 South Adams Street, Box A-22  
Tallahassee, FL 32301

Dear Ms. Breier,

Thank you for participating in the External Quality Control Review of the City of Toronto Auditor General's Office. Your review is a valuable part of our continuing efforts to improve the quality of audits, and we are pleased you found that audits performed by the Toronto Auditor General's Office comply with *Government Auditing Standards*.

The Auditor General's Office is committed to continuously improving the quality of our audit work. We appreciate your thoughtful comments regarding the areas where you found our Office excels including your acknowledgement of the Auditor General's Risk Assessment Process, quality of professional and administrative staff and audit working papers among other elements of the audit process.

We appreciate your observation related to the one report we classified as administrative and will consider the classification and handling of audit versus non-audit services and reports in the future.

Our entire office found the peer review to be a valuable and constructive process. We appreciate the professionalism with which you carried out your responsibilities as peer reviewers, as well as the insights gained from your own organizations.

I would like to extend my personal thanks to you and Bill Greene for taking the time to review our operations, and for your participation in the ALGA peer review program.

Sincerely,

Jeff Griffiths, CA, CFE  
Auditor General  
Toronto, ON

**Exhibit 3**

**Hilborn Ellis Grant LLP Chartered Accountants – Auditor General’s Office of the City of Toronto, Report on the Results of Applying Specified Auditing Procedures to Financial Information Other Than Financial Statements for the Year Ended April 15, 2014**

The report is available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.AU15.1>

**AUDITOR GENERAL'S OFFICE  
AUDIT REPORTS ISSUED  
2009-2014**

**2014:**

- Toronto Building - Improving the Quality of Building Inspections - January 15, 2014
- Review of Toronto Transit Commission Bus Maintenance and Shops Department, Phase One: Bus Maintenance and Warranty Administration - January 28, 2014
- 2013 Annual Report on Fraud Including the Operations of the Fraud and Waste Hotline - February 5, 2014
- The Charbonneau Commission - An Opportunity for the City to Re-evaluate its Procurement Practices - February 6, 2014
- 2013 Annual Report Requested by the Audit Committee - Demonstrating the Value of the Auditor General's Office - February 7, 2014
- Continuous Controls Monitoring - 12-Month Review of City Overtime, Standby Pay and Mileage Expenses, 2013 - February 7, 2014
- Review of Training, Conference and Related Travel Expenses - February 7, 2014
- Audit Reports Relating to the City's Agencies - February 12, 2014
- Toronto Community Housing Corporation - Results of Follow-up of Previous Audit Recommendations - April 4, 2014
- Opportunities to Enhance Employee Absenteeism Performance Measures and Reporting of Results - April 11, 2014
- Review of 2015 Pan American/Parapan American Games' Capital Projects - April 17, 2014
- Continuous Controls Monitoring Program - Toronto Transit Commission, 12-Month Review of Employees Overtime and Related Expenses, 2013 - April 18, 2014
- Review of the Redevelopment of the Sony Centre for the Performing Arts - April 24, 2014
- Auditor General's Status Report on 2014 Audit Work Plan - April 29, 2014
- Cost Benefits of Extended Warranties for Construction Projects Are Unknown - May 1, 2014
- Continuous Controls Monitoring Program – 12-Month Review of City Staff Absenteeism, 2013 - May 5, 2014
- Strengthening the City's Oversight of Social Housing Programs - June 2, 2014
- 2014 Interim Report on Fraud Including the Operations of the Fraud and Waste Hotline - June 9, 2014



- Auditor General's Office - Forensic Unit Status Report on Outstanding Recommendations - June 9, 2014
- Controls Over Telecommunication Expenses Need Improvement - June 10, 2014
- Auditor General's Status Report on Outstanding Audit Recommendations for City Divisions - June 11, 2014
- Auditor General's Status Report on Outstanding Audit Recommendations for City Agencies and Corporations - June 11, 2014
- Opportunities to Enhance the Oversight of Non-Union Employee Separation Costs - June 11, 2014
- Operational Review of Build Toronto Inc. - November 17, 2014

**2009 – 2013:**

- Auditor General's Office - Annual Status Reports on Outstanding Audit Recommendations for City Divisions
- Auditor General's Office – Annual Status Reports on Outstanding Audit Recommendations for City Agencies, Boards, Commissions and Corporations
- Auditor General's Office - Forensic Unit, Annual Status Reports on Outstanding Recommendations
- Auditor General's Office - Annual Reports on Fraud Including the Operations of the Fraud and Waste Hotline
- Annual Reports Requested by the Audit Committee - Demonstrating the Value of the Auditor General's Office
- Emergency Medical Services – Payroll and Scheduling Processes Require Strengthening – October 3, 2013
- Toronto Employment and Social Services – Review of Employment Services Contracts – September 30, 2013
- Local Road Resurfacing – Improvements to Inspection Process Required to Minimize Incorrect Payments to Contractors – September 25, 2013
- IT Service Desk Unit – Opportunities for Improving Service and Cost-Effectiveness – September 18, 2013
- Toronto Fire Services – Improving the Administration and Effectiveness of Firefighter Training and Recruitment – September 16, 2013
- Auditor General's Hotline Investigation Report: Fleet Services Division – Review of Various Equipment Maintenance Practices – August 31, 2013
- Continuous Controls Monitoring Program, Toronto Transit Commission, Six-month Review of Employees Overtime and Related Expenses – August 27, 2013

- Continuous Controls Monitoring Program – Six-month Review of City Staff Absenteeism – August 12, 2013
- Continuous Controls Monitoring Program – Six-month Review of City Overtime and Mileage Expenses, 2013 – August 6, 2013
- Local Road Resurfacing – Contract Management Issues – May 10, 2013
- Toronto Water – Review of Construction Contracts – May 7, 2013
- Financial Planning Analysis and Reporting System (FPARS) - A Large Scale Business Transformation/Information Technology Project – May 2, 2013
- Reliable Data is Needed for Effective Fleet Management – April 18, 2013
- Municipal Licensing and Standards, Investigation Services Unit – Efficiencies Through Enhanced Oversight – January 30, 2013
- Appraisal Services Unit - Opportunities for Improving Economy, Efficiency and Effectiveness – January 25, 2013
- Municipal Grants – Improving the Community Partnership and Investment Program – January 21, 2013
- City Accounts Payable – Payment Controls and Monitoring Require Improvement – January 17, 2013
- Electronic Data – Standardizing Data Formats Across City Information Systems – January 9, 2013
- Review of Wheel-Trans Services – Sustaining Level and Quality of Service Requires Changes to the Program – December 6, 2012
- Parks, Forestry and Recreation Division - Review of the Management of the City's Golf Courses – August 24, 2012
- Toronto Employment and Social Services – Income Verification Procedures Can Be Improved – August 24, 2012
- A Mid-Term Review of the Union Station Revitalization: Managing Risks in a Highly Complex Multi-Year, Multi-Stage, Multi-Million Dollar Project – August 15, 2012
- City Stores: Maximize Operating Capacity to Be More Efficient – August 1, 2012
- Continuous Controls Monitoring Program – Review of City Overtime and Mileage Expenses – September 10, 2012
- eCity Initiative – Improvements Needed in Governance, Management and Accountability – September 5, 2012
- Toronto Transit Commission Employees Overtime and Related Expenses - Continuous Controls Monitoring - July 12, 2012
- Procurement of 311 Toronto's Information Technology System - Lessons for Future Procurement Processes - June 13, 2012
- Improving Reporting and Monitoring of Employee Benefits - June 12, 2012

- Review of Reporting on Use of Consultants - May 31, 2012
- Inventory Controls Over Traffic Control Devices in Transportation Services Need to be Improved - April 25, 2012
- Review of the Management of the City's Divisional Accounts Receivable - April 12, 2012
- Review of the Energy Retrofit Program at Community Centres and Arenas - March 26, 2012
- Front Yard and Boulevard Parking - Improvements Needed to Enhance Program Effectiveness - February 7, 2012
- Continuous Controls Monitoring - Review of Employee Overtime and Mileage Reimbursements - February 7, 2012
- Toronto Community Housing Corporation Fleet Management - Lack of Oversight Has Led to Control Deficiencies - February 6, 2012
- Review of Coordinated Street Furniture Contract - Public Realm Section, Transportation Services Division - February 3, 2012
- Toronto Community Housing Corporation - The City and Toronto Community Housing Corporation Needs to Strengthen its Oversight of Subsidiaries and Other Business Interests - February 2, 2012
- Review of Controls Over Procurement and Payment Functions at TCHC Subsidiary: Housing Services Inc. - February 2, 2012
- Toronto Building Division - Building Permit Fees, Improving Controls and Reporting - January 23, 2012
- 311 Toronto - Full Potential For Improving Customer Service Has Yet To Be Realized - October 17, 2011
- The Deep Lake Water Cooling Project - Total City Costs and Benefits Need to Be Reported - October 10, 2011
- Toronto Animal Services - Licence Compliance Targets Need To Be More Aggressive - October 5, 2011
- Review of Infrastructure Stimulus Funding - Opportunities Exist to Improve Controls over Construction Projects - October 5, 2011
- Toronto Police Service, Parking Enforcement Review - October 3, 2011
- Remote Access to the City's Computer Network - The Management of the Process Requires Improvement - September 8, 2011
- Toronto Police Service - Review of Integrated Records and Information System - August 26, 2011
- Red Light Camera Program - August 25, 2011
- Disposal of Digital Photocopiers - Protection of Sensitive and Confidential Data Needs Strengthening - June 16, 2011

- Transportation Services - Review of Winter Maintenance Services - April 26, 2011
- City Planning Division - Community Benefits Secured Under Section 37 or 45 of the Planning Act - March 31, 2011
- Toronto Police Service, Police Paid Duty - Balancing Cost Effectiveness and Public Safety - March 23, 2011
- Facilities Management Division Energy Efficiency Office - Management of Energy Loans and Grants Funded by the Ontario Power Authority - March 4, 2011
- Toronto Community Housing Corporation - Controls Over Employee Expenses Are Ineffective - February 25, 2011
- Toronto Community Housing Corporation - Procurement Policies and Procedures Are Not Being Followed - February 25, 2011
- Review of the Management and Funding for Inactive Landfill Sites - February 3, 2011
- Parks, Forestry and Recreation Division - Concession Agreements Review - January 19, 2011
- Toronto Environment Office - Review of Administration of Environmental Grants - January 17, 2011
- Governance and Management of City Computer Software Needs Improvement - January 7, 2011
- Administration of Development Funds, Parkland Levies and Education Development Charges - June 16, 2010
- Administration of Municipal Land Transfer Tax, Revenue Services Division - June 16, 2010
- Review of the City SAP Competency Centre - June 15, 2010
- Police Training, Opportunities for Improvement, Toronto Police Service - Follow-up Review - June 1, 2010
- Management of Capital Project 129 Peter Street – Shelter, Support and Housing Administration, Facilities Management and Real Estate Divisions - May 31, 2010
- Parks, Forestry and Recreation - Review of Internal Controls at the East York Curling Club - April 27, 2010
- Insurance and Risk Management - April 26, 2010
- Parks, Forestry and Recreation Division - Controls Over Ferry Service Revenue Need Strengthening - April 26, 2010
- Governance and Management of City Wireless Technology Needs Improvement - April 20, 2010
- The Review of the Investigation of Sexual Assaults – A Decade Later, Toronto Police Service - April 14, 2010

- The Auditor General's Second Follow-up Review on the Police Investigation of Sexual Assaults - April 9, 2010
- Toronto Zoo Construction Contracts Review – Tundra Project - March 29, 2010
- Controls Over Parking Tags Needs Strengthening - January 27, 2010
- Payment of Utility Charges - November 12, 2009
- Review of Information Technology Training - November 5, 2009
- City Purchasing Card (PCard) Program - Improving Controls Before Expanding the Program - October 27, 2009
- Effectively Managing the Recruitment of Non-Union Employees in the Toronto Public Service - June 19, 2009
- Process for Non-Competitive Procurement (Sole Sourcing) Needs Improvement - May 22, 2009
- Toronto Parking Authority Pay and Display Parking Operations - Review of Revenue, Expenditures and Procurement Practices - May 15, 2009
- Review of Disposal of Surplus IT Equipment - Security, Environmental and Financial Risks - May 4, 2009
- Parks, Forestry and Recreation - Capital Program - The Backlog in Needed Repairs Continues to Grow - January 23, 2009
- Review of Management and Oversight of the Integrated Business Management System (IBMS) - January 16, 2009

## Appendix 3

### EXAMPLES OF POTENTIAL ANNUAL COST SAVINGS IDENTIFIED AS A RESULT OF VARIOUS AUDITS

Audit Report	Annual Cost Savings
Continuous Controls Monitoring, 2012	\$3,500,000**
Procurement Policies and Procedures, Toronto Community Housing, 2012	\$10,826,000*
Fleet Management, Toronto Community Housing, 2012	900,000*
Employee Expenses, Toronto Community Housing, 2011	\$1,200,000*
Police Paid Duty, 2011	\$1,800,000
Toronto Animal Services Review, 2011	\$1,300,000
Parking Enforcement Review, 2011	\$2,890,000
Red Light Camera Program, 2011	\$1,400,000
Insurance and Risk Management, 2011	\$486,000
Sewer Use By-law, 2011	\$740,000
Court Services Review, 2011	\$900,000
Management of various construction contracts, 2006 - 2008	\$2,700,000
Management of Information Technology Projects – TTC, 2008	\$1,700,000
Employee Benefits Review, 2007	\$10,800,000
Review of Wastewater Treatment Program, 2007	\$740,000
Internet Usage Review, 2007	\$1,900,000
Review of Police Training, 2006	\$1,200,000
Review of Administration of Leases, 2006	\$1,000,000
Operational Review – Toronto Fire Services, 2006	\$2,000,000
Recovery Retail Sales Tax – MFP Sale / Leaseback City Computer Equipment, 2005	\$1,100,000
Hostels Operations Review, 2004	\$810,000
Review of SAP Implementation – In Camera, 2003	\$670,000
Toronto Parking Authority, 2002	\$1,900,000
Selection and Hiring of Consultants, 2001	\$2,000,000

\*This amount represents savings included in previous reports on the benefits of the Auditor General's Office. In December of 2014, TCHC reported the impact of implementing the recommendations from our reports. They advise that for the nine months ended September 30, 2014, they have cost savings of \$20 million from improved procurement processes, annual cost savings of \$4 million from some specific unit price contracts and, savings of \$350,000 over six months from the transfer of fleet operations to the City Fleet Services Division.

\*\*Overtime since December 2010 has decreased by approximately \$7.0 million. Difficult to determine how much is due to Continuous Controls Monitoring, but estimate at 50 per cent is 3.5 million. In 2013, overtime increased by \$4.2 million. A portion of this increase is related to severe weather related emergencies in the City.