



# AUDITOR GENERAL'S REPORT ACTION REQUIRED

## Amendments to the 2015 Audit Work Plan

<b>Date:</b>	May 2, 2015
<b>To:</b>	Audit Committee
<b>From:</b>	Auditor General
<b>Wards:</b>	All
<b>Reference Number:</b>	

### SUMMARY

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The purpose of this report is to advise Audit Committee of amendments to the Auditor General's 2015 Audit Work Plan. The Audit Work Plan is being amended to reflect projects identified as a result of our recently completed City-wide risk assessment and requests made by City Council.

Appendix 1 lists projects included in the amended 2015 Audit Work Plan.

Appendix 2 lists projects selected in high priority areas and is grouped into three main categories:

1. Areas where there has been little or no audit activity from the Auditor General's Office over the past seven years.
2. Capital projects that should be considered for audit.
3. Other priority areas that should be audited.

Due to limited resources, many of these projects will remain in the backlog for several years. These projects will continue to be assessed and prioritized according to their risks.

Our risk assessment did not include restricted boards, including the Police Services Board, the Library Board and the Board of Health. The Auditor General can only undertake audit work at these Boards if she is requested by the Board.

## **RECOMMENDATION**

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### **The Auditor General recommends that:**

1. City Council receive the Auditor General's amended 2015 Audit Work Plan.

### **Financial Impact**

The recommendation in this report has no financial impact beyond the amount provided in the Auditor General's 2015 budget request.

### **DECISION HISTORY**

The Auditor General's preliminary 2015 audit work plan was received by City Council at its meeting of March 31, 2015. The report is accessible on the City's Web site at: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.AU1.8>

### **COMMENTS**

In her February 11, 2015 report to Audit Committee, the Auditor General conveyed that her office was completing a City-wide risk assessment of City operations, agencies and corporations. The assessment is used to identify high risk areas that will be prioritized for future audits.

The City-wide risk assessment is performed every five years. The project is a major undertaking. The office conducts a survey of 188 organizational units within the City and of those agencies and corporations that are under the Auditor General's mandate. Auditor General's staff then interview senior officials at the City and agencies and corporations. In addition, staff reviewed past audit work and fraud complaints, and the Auditor General received input from City Councillors.

The City-wide risk assessment identified 58 high risk areas.

Based on our risk assessment results, we amended the 2015 audit work plan. The amendments involve the deletion or deferral of a small number of projects to allow for the inclusion of higher risk projects arising from the risk assessment. The description of the projects that can be undertaken with available resources is provided in Appendix 1.

Appendix 2 lists projects considered high priority that must be deferred because of limited resources. These projects will be reviewed on an ongoing basis and included in future audit work plans as resources permit.

## **1. Project Additions**

### City Divisions:

1. Project management of Large Capital and Engineering Projects
2. Space Utilization and Potential Space Rationalization Opportunities
3. Fleet Services – Parts and Equipment Contract and Invoice Verification

### Agencies and Corporations:

1. TTC Attendance Management Program
2. Toronto Police Service – A Review of Police Paid Duty Program (subject to request from the Toronto Police Services Board)

All projects will commence in 2015. Some will not be finalized until 2016.

## **2. Project Deletions and Deferrals**

The following projects were initially planned for 2015, but were subject to receiving requests from the respective Boards of the related agency or corporation. Approval to proceed has not been received. The projects will be considered for future work plans once approval has been received.

1. Toronto Police Services Board - Audit of expenditures and procurement
2. Toronto Public Health Information System
3. Risk assessment of major agencies and corporations – Toronto Police, Toronto Public Health, Toronto Public Library and other major agencies

## **CONTACT**

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## **SIGNATURE**

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Beverly Romeo-Beehler, Auditor General

## **ATTACHMENTS**

- Appendix 1: Auditor General's 2015 Amended Audit Work Plan  
Appendix 2: Auditor General's Office – Deferred Projects in Priority Areas

**AUDITOR GENERAL’S 2015 AMENDED AUDIT WORK PLAN**

**1. Audits in Progress (Carried Forward from 2014 Work Plan)**

The following audit projects started in late 2014 are now being completed and will be tabled on completion.

1. Audit of Property Tax Billing and Collection Process
2. Toronto Parking Authority (TPA) - Audit of Off-Street Parking Operations and Real Estate Development Activities

**2. New Audit Projects - 2015**

The projects selected for the 2015 audit work plan are included in the table below. Some projects will commence late in 2015 and consequently will not be finalized until 2016.

	<b>Audit Project</b>	<b>Project Description</b>
1.	Audit of procurement of City-wide major service contracts for road construction and paving	This audit will focus on coordination before procurement, the procurement procedures and practices when awarding the contract, management and performance of the major contracts. The audit may be expanded into additional phases to take a broader view by including large agencies and corporations such as the TTC.
2.	Audit of information technology (IT) network vulnerabilities within the City	IT security breaches can have profound effects on organizations. The audit will assess external vulnerabilities facing the IT network and internal access controls to determine if there are potential weaknesses that could compromise specific components of the City’s IT network.
3.	Audit of Long Term Disability (LTD) Benefit Program for the City and the TTC	The cost of the City’s LTD benefits has increased from \$28 million in 2010 to \$38 million in 2014. The audit will review the approval and management of LTD claims and benefits, including controls to address complaints about LTD fraud.  An audit of LTD benefits was included in the Auditor General’s 2013 Annual Work Plan but was deferred due to changes being made to the City's LTD program in 2013.  The scope of review will also include LTD benefits at TTC.

	<b>Audit Project</b>	<b>Project Description</b>
4.	Information Technology major infrastructure and other projects	The IT division undertakes large information technology projects. This audit will focus on the awarding, implementation and management of large IT projects.
5.	Audit of shared services	<p>This audit will assess the rate of implementation of shared service recommendations made by Auditor General and external consultants. It will also identify new areas where shared services should be considered.</p> <p>The audit may be expanded to take a broader view by including large agencies and corporations such as the TTC, resources permitting.</p>
6.	Audit of Facilities Management - Custodial Care operations	Facilities Management Division is comprised of various sections. The Custodial Care & Maintenance section has not been audited by AG's Office. This audit will focus on management controls, cost and quality of custodial care services.
7.	Audit of Toronto Water billing and collection processes	The City bills and collects over \$900 million in water charges annually. The purpose of the audit is to evaluate City systems and processes relating to the billing and collection of water charges.
8.	Audit of enterprise-wide risk management practices	This audit will include an assessment of how the City measures, prioritizes and manages its risks.
9.	Project management of large capital and engineering projects(*)	This audit will focus on policies, procedures and controls in managing major capital projects at the City.
10.	Audit of Space Utilization and Potential Space Rationalization Opportunities(**)	The audit will assess City-wide facilities and buildings and will review opportunities to rationalize space used by various divisions across the City.
11.	Fleet Services – Parts and Equipment Contract and Invoice Verification (**)	This audit will focus on the procedural controls in the administration and payment of parts and services acquired under the spare parts contract and the effectiveness of the outsourcing arrangement.
12.	Audit of TTC Attendance Management Program(**)	TTC's annual payroll cost is approximately \$960 million. More than 10% of the annual payroll cost is for overtime and sick leave. As absenteeism is a major driver of overtime, the audit will assess how TTC manages employee attendance and identify improvement opportunities.

	<b>Audit Project</b>	<b>Project Description</b>
13.	Toronto Police Service - Paid Duty Follow-up Review (subject to request from Toronto Police Services Board)	The Auditor General performed a review of Toronto Police Paid Duty expenses in 2011. A follow up review is warranted to assess the progress and impact of implementing previous recommendations.
14.	Data Analytics and Continuous Controls Monitoring	This project uses data analytics to probe City data so that the Auditor General can identify unusual transactions and significant emerging trends. This information informs audits and helps to detect and prevent fraud. We plan to extend the project to major agencies and corporations.
15.	Follow-up on Outstanding Recommendations from Previous Audit and Investigative Reports	This is the Auditor General's annual review of the implementation status of outstanding audit recommendations from previous audit reports, Fraud and Waste Hotline reports and other special reviews and investigative reports, issued to the City and its agencies and corporations.

\*Project added as a Council priority

\*\*Project added as a result of risk assessment

**AUDITOR GENERAL’S OFFICE – DEFERRED PROJECTS IN PRIORITY AREAS**

The following projects are considered high priority for audit purposes because of the potential to identify efficiencies and add value. These projects, together with changing risks and priorities within the City, will be considered for future audit work plans as resources permit.

The list does not include potential projects that could be conducted at the Police, Library or Public Health. These projects will be added when the respective Boards request that the Auditor General undertake a project.

**Organizational Units Not Audited Within the Past 7 Years**

1. Toronto Transit Commission – Review of procurement processes
2. Toronto Transit Commission – Review of inventory controls
3. Toronto Transit Commission – Review of IT project implementation
4. Toronto Transit Commission – Audit of real estate management
5. Toronto Transit Commission – Review of Revenue Operations
6. Toronto Transit Commission – Reviews of major TTC operating units
7. Operational review of City Planning's Community Planning Unit
8. Operational review of Fire Prevention and Public Education
9. Operational review of Urban Forestry maintenance program for City trees
10. Review of child care centres directly operated by the Children’s Services Division
11. Audit of the state of good repair of City facilities – City divisions, agencies and corporations
12. Review of business license issuance and permit enforcement
13. Review of consolidated Toronto Paramedic Services and Toronto Fire Services Communications Centre
14. Operational review of capital planning and the management of the capital program – Economic Development & Culture
15. Audit of the City's preparedness for major emergencies and disasters
16. Review of management of funds provided for affordable housing programs

**Specific Significant Capital Projects in Various Divisions**

There will be numerous audits to evaluate processes and controls over capital spending which, depending on the individual project may encompass the procurement process, contract award, project management and controls over project costs and timeline. Projects that could be selected include:

1. Kipling Acres Long-Term Care Home redevelopment
2. Seaton House redevelopment and revitalization of George St.
3. North West PATH Pedestrian Tunnel Project
4. F.G. Gardiner Expressway Project
5. Solid Waste Management Source Separated Organics Processing Facilities
6. Nathan Philip Square Revitalization Project
7. Toronto Transit Commission – Wilson Yard project

8. Toronto Transit Commission – Leslie Barns
9. Toronto Zoo - Wildlife Health Centre

## **Other**

1. Governance and accountability framework over agencies and corporations
2. Toronto Community Housing Corporation, (TCHC) – Review of capital planning and the management of the capital program, including state of good repair
3. TCHC – Review of Client Care, dispatch and vendor management
4. TCHC – Review of rental revenue and administration of the Rent Subsidy Program
5. TCHC – Review of management of third-party property managers
6. TCHC – Review of redevelopment / revitalization of TCHC communities
7. TCHC – Review of commercial leasing revenues
8. Operational review of City-wide data center facilities
9. Review of cyber security risk management
10. Audit of procurement and management of information technology projects
11. Review of information technology asset management
12. Audit of management of vendor rosters
13. Audit of the management of the centralized waiting list for social housing
14. Operational review of Community Recreation
15. Audit of construction management, state of good repair and contract administration practices – Facilities Management
16. Build Toronto – Review of the development of investment property
17. Toronto Parking Authority – Review of planning and management of the capital program
18. Contract management practices – Outsourced curbside collection contract in District 1
19. Audit of contract management practices – single stream recyclable materials contracts
20. Operational review of the Green Lane landfill
21. Audit of Green Lane landfill biogas royalty revenue
22. Benefits achieved from major energy conservation or green energy capital projects
23. Contract management practices – Basement Flooding and Wet Weather Flow projects
24. Audit of basement flooding subsidies
25. Audit of City-wide real estate strategy
26. Review of payment handling by Toronto Building Customer Service Unit
27. Operational review of building permit review and approval process
28. Review of the administration of the hostel system in providing shelter and care services
29. Review of planning and management of the capital program – Toronto Water
30. Review of the management and use of the City's reserves and reserve funds