



**AUDITOR GENERAL'S
REPORT
ACTION REQUIRED**

**Results of Auditor General's Office External Peer
Review - 2015**

Date:	September 30, 2015
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

Government Auditing Standards require that audit organizations performing audits in accordance with Generally Accepted Government Auditing Standards (GAGAS) undergo an external peer review every three years. Furthermore, Toronto Municipal Code §3-18 requires that the “Auditor General shall undergo an external peer review once every three years to ensure compliance with government auditing standards”, and “the results of the external peer review shall be reported to Council through the Audit Committee”.

This report provides the results of the Auditor General's Office External Peer Review for the period January 1, 2012 through December 31, 2014. This is the fourth such review for the Auditor General's Office.

The peer review team found that the “Auditor General's Office's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards for audits from January 1, 2012 through December 31, 2014”. This is the highest level of compliance available in the ALGA Peer Review Program. The process also provides the opportunity for reviewers to offer observations related to audit organization practices that are particularly noteworthy as well as suggestions related to professional industry best practices.

RECOMMENDATION

The Auditor General recommends that:

1. City Council receive this report for information.

Financial Impact

The recommendation in this report has no financial impact.

DECISION HISTORY

In May 2015, the Audit Committee received a report from the Auditor General regarding the proposed external peer review of the Auditor General's Office. This is the fourth such review for the Auditor General's Office.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.AU2.7>

The results of all three previous external peer reviews are posted on the City website at:

http://www.toronto.ca/audit/2006/audit_of_the_auditor_app1and2_june2006.pdf

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.AU11.3>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.AU9.5>

COMMENTS

Government Auditing Standards state that "Audit organizations performing audits in accordance with Generally Accepted Government Auditing Standards (GAGAS) must have an external peer review performed by reviewers independent of the audit organization being reviewed at least once every 3 years".

Compliance with Generally Accepted Government Auditing Standards is an important component of audit quality and is essential in maintaining credibility with City Council, management and the taxpaying public.

Compliance with Generally Accepted Government Auditing Standards, including the external peer review, is known to benefit both internal and external auditors in many ways including the following:

- Strengthens audit quality, consistency, uniformity and reliability
- Withstands legal scrutiny
- Contributes to professional development
- Enhances professional credibility
- Strengthens public/management relations

Nature of External Peer Review

The external peer review process includes a complete review of the Auditor General's internal quality control policies and procedures, related monitoring procedures, audit reports, documentation, and other necessary documents related to compliance with

Government Auditing Standards. The review also includes interviews with various levels of the Auditor General’s professional staff, City management and members of the Audit Committee. The peer review team selects a cross section of audit work performed by the Auditor General’s Office and provides an opinion on overall compliance with Government Auditing Standards.

Reporting External Peer Review Results

The on-site portion of the Auditor General’s external peer review took place during the week of August 4, 2015. Following the week-long on-site review process, a written opinion letter and management letter were issued to the Auditor General communicating the results of the review and are attached to this report as Appendix 1. The Auditor General’s written response to the suggestions for improvement identified by the peer review team is also attached to this report in Appendix 1.

The peer review team found that the “Auditor General’s Office’s internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards for audits from January 1, 2012 through December 31, 2014”. This is the highest level of compliance available in the ALGA Peer Review Program.

The report issued by the peer review team also identified areas where the Auditor General’s Office excels as well as suggestions for improvement.

The following excerpt from the external peer review team’s report identifies the areas where they believe the Auditor General’s Office excels:

- *“The standard templates and checklists the office has developed and incorporated into their audit processes helps ensure compliance with professional standards.*
- *The audit staff is highly qualified as evidenced by their numerous certifications and solid technical skills.*
- *The knowledgeable and efficient administrative team provides excellent support allowing the audit staff to conduct their audit work more efficiently.”*

The peer review team also provided suggestions to enhance the Auditor General’s Office’s demonstrated adherence to Government Auditing Standards, generally in the following areas:

- Implementing additional procedures that ensure compliance with ongoing continuing professional education requirements;
- Selecting a reduced sample of audits for annual internal quality control review, which will help ensure the annual quality review is documented and completed in a timely manner;

- Documenting more clearly the consideration of ongoing investigations and legal proceedings on the audit, if any;
- Defining the audit report issuance date; and
- Giving consideration to whether certain Forensic Unit reports would be classified as performance audits.

As stated in our written response to the peer review team, we appreciate the additional observations and suggestions made to enhance our operations. We agree with the suggestions provided in their report and will ensure the recommendations are fully implemented.

CONTACT

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SIGNATURE

Beverly Romeo-Beehler, Auditor General

ATTACHMENT

Appendix 1: Association of Local Government Auditors' Opinion Letter and Management Letter dated August 7, 2015, and the Auditor General's Response dated September 1, 2015