



## STAFF REPORT ACTION REQUIRED

### Role of the Auditor General – City Council Motion and Auditor General’s Presentation

<b>Date:</b>	October 13, 2015
<b>To:</b>	Audit Committee, City of Toronto
<b>From:</b>	Andy Pringle, Chair, Toronto Police Services Board

#### SUMMARY

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The purpose of this report is to provide the Audit Committee with the Toronto Police Services Board’s response to a City Council motion requesting that agencies, local boards and corporations that are outside the Auditor General’s jurisdiction, allow the Auditor General (AG) to undertake any audits she deems necessary as well as to respond to the AGs July 16, 2015 presentation.

#### RECOMMENDATION

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It is recommended that the Audit Committee receive this report for information.

#### Financial Impact

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There are no financial implications arising from the receipt of this report.

#### ISSUE BACKGROUND

At its meeting held on September 17, 2015, the Toronto Police Services Board was in receipt of a report dated August 19, 2015 containing the Board’s response to a City Council motion requesting that agencies, local boards and corporations that are outside the Auditor General’s jurisdiction, allow the AG to undertake any audits she deems necessary.

## **COMMENTS**

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The Board approved the report and agreed to forward a copy to the City of Toronto Audit Committee for information.

A copy of Board Minute No. P239/15 in the form attached as Appendix “A”, regarding this matter is provided for information.

## **CONTACT**

Andy Pringle  
Chair  
Toronto Police Services Board  
Telephone No. 416-808-8080  
Fax No. 416-808-8082

## **SIGNATURE**

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Andy Pringle  
Chair

## **ATTACHMENT**

Appendix A – Minute No. P239/15

x: role of auditor general

**THIS IS AN EXTRACT FROM THE MINUTES OF THE PUBLIC MEETING OF THE  
TORONTO POLICE SERVICES BOARD HELD ON SEPTEMBER 17, 2015**

**#P239           ROLE OF THE AUDITOR GENERAL - CITY COUNCIL MOTION AND  
AUDITOR GENERAL'S PRESENTATION**

The Board was in receipt of the following report August 19, 2015 from Andy Pringle, Chair:

Subject:       ROLE OF THE AUDITOR GENERAL: CITY COUNCIL MOTION AND  
AUDITOR GENERAL'S PRESENTATION

Recommendations:

It is recommended

1. THAT the Board receive the correspondence from City Clerk M. Toft dated June 19, 2015;
2. THAT the Chief of Police report to the November meeting with respect to the implementation of the Board's Audit Policy; and
3. THAT the Board forward a copy of this report to the City of Toronto Audit Committee.

Financial Implications:

There are no financial implications arising out of the recommendations contained in this report.

Background/Purpose:

On September 12, 2013, the Board approved a recommendation that then Chair Alok Mukherjee draft an audit policy. The Board also approved that should the Board approve a policy which would contemplate the engagement of the services of the City's Internal Audit Division, such services would be charged back to the Board through an inter-departmental chargeback (Min. No. P222/13 refers).

In 2014, Chair Mukherjee, in consultation with the Toronto Police Service (the Service), the City's Audit Division, the former Auditor General and City Legal, developed an audit policy which was approved by the Board on December 15, 2014 (Min. No. P272/14 refers).

Discussion:

The Board is in receipt of correspondence dated June 19, 2015, from the City Clerk M. Toft advising that City Council has adopted a motion requesting that agencies, local boards and

corporations that are outside the Auditor General's jurisdiction, allow the Auditor General (AG) to undertake any audits she deems necessary. A copy of the City Clerk's correspondence is attached for your information.

In addition, at the Board meeting held on July 16, 2015, the AG made a presentation to the Board in which she made the following recommendations:

1. Request that, as part of her 2016 work plan, the AG review Toronto Police Service operations to independently recommend to the Board the audits that should be conducted to help support the fulfillment of the Board's Section 31(1) responsibilities
  - Audits may include confirming compliance with Board Policies and evaluating the economy, efficiency and effectiveness of Toronto Police Services operations
2. Request the AG to consider including the Toronto Police Service as part of regular City-wide audits
  - 2015 audits include: Long Term Disability, capital project management and accounts payable.
3. Request the AG to independently follow-up complaints made to the fraud or waste hotline about the Toronto Police Service to confirm, where appropriate, that risks have been addressed.

The Board approved a motion directing that the Chair in consultation with the Chief respond to the AG's recommendations at the September 17, 2015 Board meeting (Min. No. P.179/15 refers). This report is in response to City Council's motion, as well as to the AG's July 16<sup>th</sup> presentation.

Through policy, the Board adopted a multifaceted approach to fulfilling its responsibility relating to quality assurance. Provisions in the Board's Audit Policy include:

- regular reports from the Chief of Police on compliance with Board policies and directions;
- annual financial audits conducted by the City of Toronto's external auditors;
- audits requested of, and conducted by, the City of Toronto's Internal Audit Division;
- audits requested of, and conducted by, the City of Toronto's Auditor General; and
- inspections conducted by the Ontario Ministry of Community Safety and Correctional Services; or
- other audits as determined by the Board.

The Audit Policy reflects a collaborative relationship with the City of Toronto Internal Audit Division and the AG and sets out the Board's audit processes. The purpose of the policy is to assist the Board in assessing the adequacy and effectiveness of police services and compliance with the *Police Services Act* (PSA). This would be achieved through establishing a structured program for the review of Board policies, and resulting Service procedures, processes, practices and programs.

In accordance with the Audit Policy the Board can invite the AG to conduct specific audits. In the past, these have included reviews of the following; Enterprise Case and Occurrence Processing System, Revenue Controls Review, Vehicle Replacement Policy, Review of the Controls Relating to Overtime and Premium Pay, Payroll Process Review, Review of Police Training, Paid Duty System, Parking Tag Issuance Process, Review of the Investigation of Sexual Assaults, Integrated Records and Information System, Court Services Review, et cetera. As a more recent example, the Board has been advised that the AG will undertake the Board's requested audit of level 3 and 4 searches of persons.

Conclusion:

The Board and Service are in the process of establishing a structured audit program that will adhere to Board policy. The Audit Policy is fairly new and the Chief of Police has not yet had an opportunity to report to the Board on his implementation of the policy. I am recommending that the Board receive a full report on the implementation of the Audit Policy. Once the Board and Chief have had an opportunity to assess the effectiveness of the Audit Policy I will revisit the AG's proposals.

A copy of the Audit Policy is attached to this report.

**The Board approved the foregoing report.**

**Moved by: C. Lee**



**COPY**

**Ulli S. Watkiss**  
City Clerk

City Clerk's Office

**Secretariat**  
Marilyn Toft  
Council Secretariat Support  
City Hall, 12<sup>th</sup> Floor, West  
100 Queen Street West  
Toronto, Ontario M5H 2N2

Tel: 416-392-7032  
Fax: 416-392-2980  
e-mail: mtoft@toronto.ca  
web: www.toronto.ca

**In reply please quote:  
Ref.: 15-AU2.8**

June 19, 2015

Dr. Alok Mukherjee  
Chair  
Toronto Police Services Board  
40 College Street  
Toronto, Ontario  
M5G 2J3

Dear Dr. Mukherjee:

**Subject: Audit Committee Item 2.8  
Amendments to the 2015 Audit Work Plan (Ward All)**

City Council on June 10, 11 and 12, 2015, adopted this Item as amended, and among other things, has requested those agencies, local boards and corporations that are outside of the Auditor General's jurisdiction, to allow the Auditor General to undertake any audits she deems necessary.

Yours truly,

for City Clerk

M. Toft/sb

Attachment

Sent to: Auditor General  
Board of Health  
Chair, Toronto Police Services Board  
City Librarian, Toronto Public Library

c. City Manager

## Audit Committee

AU2.8		Amended		Ward:All
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### Amendments to the 2015 Audit Work Plan

#### City Council Decision

City Council on June 10, 11 and 12, 2015, adopted the following:

1. City Council request the City Manager to include seeking amendments to the City of Toronto Act as part of the upcoming 5 year review if necessary, which would allow the Auditor General jurisdiction to audit the Toronto Police Services Board, the Toronto Public Library Board and the Board of Health and request the City Manager to report to the Executive Committee, as part of the City of Toronto Act review, on any by-law amendments, and other implications, necessary to implement this change, if granted by the Province, respecting the independence of these boards in order to:

- a. undertake audits, inquiries and risk assessments at any of the City's agencies, local boards and corporations which are currently outside of her jurisdiction; and
- b. review any audits that have been undertaken by their Audit departments;

in order to allow those projects to be included on future Audit Work Plans.

2. City Council formally request those agencies, local boards and corporations that are outside of the Auditor General's jurisdiction, to allow the Auditor General to undertake any audits she deems necessary.

3. City Council request the Auditor General to consider amending her 2015 Audit Work Plan by selecting the Leslie Barns and connecting track as a specific significant capital project within her work plan.

4. City Council receive the Auditor General's amended 2015 Audit Work Plan, for information.

#### Committee Recommendations

The Audit Committee recommends that:

1. City Council request the City Manager to undertake the necessary actions, including seeking amendments to the City of Toronto Act as part of the upcoming 5-year review if necessary, which would allow the Auditor General to:

- undertake audits at any of the City's agencies, local boards and corporations which are currently outside of her jurisdiction; and

- review any audits that have been undertaken by their Audit departments,

in order to allow those projects to be included on future Audit Work Plans.

2. City Council formally request those agencies, local boards and corporations that are outside of the Auditor General's jurisdiction, to allow the Auditor General to undertake any audits she deems necessary.

3. City Council receive the Auditor General's amended 2015 Audit Work Plan, for information.

### **Committee Decision Advice and Other Information**

Beverly Romeo-Beehler, Auditor General and Jerry Shaubel, Director, Auditor General's Office, made a presentation to the Audit Committee on this Item.

### **Origin**

(May 2, 2015) Report from the Auditor General

### **Summary**

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.

### **Background Information (Committee)**

(May 2, 2015) Report from the Auditor General - Amendments to the 2015 Audit Work Plan (<http://www.toronto.ca/legdocs/mmis/2015/au/bgrd/backgroundfile-79980.pdf>)



Presentation material submitted by the Auditor General  
(<http://www.toronto.ca/legdocs/mmis/2015/au/bgrd/backgroundfile-80338.pdf>)

**Speakers**

Councillor Frank Di Giorgio



## TORONTO POLICE SERVICES BOARD

### AUDIT POLICY

<b>DATE APPROVED</b>	November 15, 2010	Minute No: P292/10
<b>DATE(S) AMENDED</b>	December 15, 2014* October 9, 2014	Minute No: P272/14 Minute No: P219/14
<b>DATE REVIEWED</b>		
<b>REPORTING REQUIREMENT</b>	Toronto Police Service audit work plan – annually Toronto Police Services Board audit work plan - annually	
<b>LEGISLATION</b>	<i>Police Services Act</i> , R.S.O. 1990, c.P.15, as amended, s. 31(1)(c). <i>Adequacy and Effectiveness of Police Services</i> , O. Reg. 3/99, s. 35	
<b>DERIVATION</b>		
<b>CROSS REFERENCE</b>	Adequacy Standards Regulation - LE-020	

The *Adequacy and Effectiveness of Police Services*, O. Reg. 3/99, stipulates that the Board and Chief of Police are responsible for implementing a quality assurance process relating to the delivery of adequate and effective police services and compliance with the *Police Services Act* and its regulations.

The Board adopts a multifaceted approach to fulfill its responsibility relating to quality assurance. It includes:

- regular reports from the Chief of Police on compliance with Board policies and directions;
- annual financial audits conducted by the City of Toronto's external auditors;
- audits requested of, and conducted by, the City of Toronto's Internal Audit Division;
- audits requested of, and conducted by, the City of Toronto's Auditor General; and
- inspections conducted by the Ontario Ministry of Community Safety and Correctional Services; or
- other audits as determined by the Board.

The purpose of this policy is to assist the Board in assessing the adequacy and effectiveness of police services and compliance with the *Police Services Act*. This would be achieved through establishing a structured program for the review of Board policies, and resulting Toronto Police Service ("Service") procedures, processes, practices and programs.

The reviews, included in the Board's audit workplan, will assist the Board in determining whether the Service is in compliance with related statutory requirements, Board policies and directions. Further, these reviews may assist in determining whether risk management activity, financial controls and Service and Board governance efforts are adequate and effective, and functioning in a manner that complies with legislation, case law, inquest findings, inquiry findings, and Ministry of Community Safety and Correctional Services' guidelines.

Therefore, it is the policy of the Toronto Police Services Board that:

1. The Chief of Police will ensure that the Service's financial statements are verified by an annual audit conducted by the City of Toronto's external Auditor as identified in section 139 of the *City of Toronto Act, 2006*;
2. The Chief of Police will establish an internal quality assurance process to ensure that operational, management, training and financial controls are established and maintained to ensure compliance with Service procedures and with Board policies and to ensure that they remain consistent with case law, inquest findings, inquiry findings, legislation and Ministry of Community Safety and Correctional Services' guidelines;
3. The Chief of Police will prepare, using appropriate risk-based methodology, an annual quality assurance work plan which will identify and prioritize audits to be conducted. The plan will identify inherent risks, resource requirements and the overall objectives for each audit and the work plan will be reported to the Board at a public or a confidential meeting as deemed appropriate
4. The Chief of Police will ensure that members of the Service engaged in audit processes have the knowledge, skills, abilities and accreditations, as may be required, to perform their duties;
5. The Chief of Police will provide an annual report to the Board with the results of all audits and will highlight any issues that in accordance with this policy will assist the Board in determining whether the Service is in compliance with related statutory requirements, and issues that have potential risk or liability to the Board and/or to the Service.

It is also the policy of the Toronto Police Services Board that:

6. In addition to the annual quality assurance workplan prepared by the Chief, the Board may, in consultation with the City of Toronto Internal Audit Division or the Auditor General, as may be appropriate, and in consultation with the Chief of Police, request external audits to be conducted on matters of concern to the Board;
7. The Board may request that the City of Toronto Auditor General conduct audits that typically address systemic organizational issues or issues of an emergent nature that are of significant public interest. In addition, the Auditor General may independently recommend to the Board, audits to be conducted by the Auditor General. The Board, in consultation with the

Chief, through a service-level agreement, may engage the City of Toronto Internal Audit Division to conduct audits respecting adherence by the Board and Service to specific Board policies and relevant legislation. The Board may include, in its annual operating budget request, sufficient funds to procure external auditing services;

8. The Board will provide a public report containing its annual audit work plan; and
9. Upon the conclusion of each of its audits, the Board will provide a report which will address the following:
  - assessment of the adequacy and effectiveness of the Service's or Board's processes in the areas stated in the audit plan;
  - identification of significant issues related to the processes of the Service or the Board, including recommended improvements to those processes; and
  - updates where necessary on the status and results of the audit plan and the sufficiency of the Board's audit resources.
10. Reports with respect to audits conducted on behalf of the Board, will consider, but not be limited to, whether:
  - Operational and financial risks are appropriately identified and managed;
  - The appropriate levels of internal control exist within the Service;
  - Financial, management, and operational information provided to the Board is accurate, reliable, and timely;
  - Staff and management actions are in compliance with policies, procedures, contracts, laws, and regulations;
  - Resources are acquired economically, used efficiently, and adequately protected;
  - Programs and their objectives are achieved;
  - Quality and continuous improvement are encouraged in the Service's control processes; and
  - Significant legislative or regulatory issues affecting the Service are recognized and addressed appropriately.

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*\*This policy supersedes any Audit Policy prior to December 15, 2014.*