

Audit Work Plan - 2017 Update and 2018 New Audits

Date: June 13, 2017

To: Audit Committee

From: Auditor General

Wards: All

SUMMARY

The purpose of this report is to provide the Audit Committee with an overview of how the resources allocated to the Auditor General's Office will be used in 2017 and 2018. The report provides an update of the 2017 audits and the planned work for 2018.

In response to the Council approved increase of \$1.0 million to her 2017 operating budget, the Auditor General has included additional audits to her 2017 Audit Work Plan, many of which are currently underway. Additional audits have also been planned for 2018 in anticipation of the further funding increase of \$1.5 million in 2018.

From 2012 to 2016, the one-time and projected five-year cost savings and revenue increases (net of implementation costs) identified through audits and investigations completed by the Auditor General, total approximately \$160.5 million. The total cost of operating the Auditor General's Office for this period was \$21.7 million. The return on every dollar invested in the Auditor General's Office was approximately \$7.4.

The Auditor General's annual Audit Work Plan is based on projects identified from the latest risk assessment, as well as consultations with City Councillors and City management. With the additional funding, the Auditor General can now address the high priority projects on a more timely basis by including more projects in her annual Audit Work Plan. This will result in a gradual decline of backlogged projects that have been constrained by prior years' operating budgets. The additional funding will also enable the Auditor General to acquire services of specialists on audits requiring subject matter expertise. The Auditor General's Forensic Unit will also be undertaking more major investigations with the additional resources.

RECOMMENDATIONS

The Auditor General recommends that:

1. The Audit Committee receive this report for information.
2. The Executive Committee receive this report for information.

FINANCIAL IMPACT

The recommendations in this report have no financial impact.

DECISION HISTORY

On February 15, 2017, City Council approved a temporary increase to the Auditor General's 2017 operating budget and adopted the following:

“City Council approve the temporary increase of \$1.0 million, as reflected in the Auditor General's 2017 Budget Committee Recommended Operating Budget to provide additional capacity to undertake value for money audits and investigations, subject to a report back to Audit and Executive Committees from the Auditor General on a revised audit work plan, and that temporary planned increases of up to \$1.5 million in 2018 and an additional \$1.4 million in 2019 be subject to consideration in future year budget processes together with revised audit work plans.”

After the adoption of the increase, the Auditor General submitted her revised 2017 Audit Work Plan to the Audit Committee at its March 24, 2017 meeting. The report is accessible on the City's web site at:

<http://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-101843.pdf>

COMMENTS

Attachment 1 provides a list of new audit projects planned for 2018 with a focus on high priority value for money audits, including major capital projects and audits of areas of significant business risk.

Attachment 2 provides a status update on the 2017 Audit Work Plan (revised) including projects added as a result of funding increases.

The specific scope of the audit projects will be defined after the commencement of the individual project, and the Auditor General may revise the Audit Work Plan and/or the initial scope of audit projects as new information arises.

In addition to the specific projects listed in Attachments 1 and 2, the Auditor General's Office also carries out data analytics and continuous controls monitoring projects, Fraud and Waste Hotline investigative work, and follow-up reviews of outstanding audit recommendations as part of its ongoing activities.

The Auditor General undertakes a risk-based approach to audit selection. To identify audit priorities, every five years the Auditor General performs an extensive risk assessment of the operations of the City and its major agencies and corporations under her mandate. The results of the five-year risk assessment are evaluated each year during the audit planning process, and new risks are added, as required, to keep the risk universe up to date. The Auditor General completed her latest risk assessment in

2015. The Auditor General also considers the views and experience of City Councillors and City management when developing her Audit Work Plan.

With the funding increases in 2017 and subsequent operating budgets, the Auditor General will be able to address the backlog of the high risk projects on a more timely basis and conduct more investigations where needed.

All of the Auditor General's audits are conducted in accordance with Generally Accepted Government Auditing Standards. These Standards require that the Auditor General plan and perform audits to obtain sufficient, appropriate evidence that provides a reasonable basis for the findings and conclusions. To be in compliance with the Standards and the prescribed auditing procedures, each audit project takes on average nine months from start to finish by a team of two to three audit staff. A detailed listing of audit reports issued from January 2012 to June 2017 is included in Attachment 3.

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SIGNATURE

Beverly Romeo-Beehler
Auditor General

ATTACHMENT

Attachment 1 - Auditor General's Work Plan - 2018
Attachment 2 - Status Update on Auditor General's Revised 2017 Work Plan
Attachment 3 - Detailed Listing of Audit Reports Presented at Audit Committees
January 2012 to June 2017