

**Presentation to the Budget Committee  
on December 14, 2017**

# **Auditor General's Office 2018 Operating Budget**

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# Presentation Overview

1. Background and accomplishments ... This year
2. *Moving forward* ..... Next year
3. Risks

# Background: Importance of a Strong Audit Function

*“Individual Councillors...must be able **to count upon** the work of an independent auditor in order **to fulfill their own oversight duties**”*

*“ Indeed, the Auditor General could be of great assistance to Council by bringing forward **high quality value-for-money reports** and studies of the broader and very **fundamental issues** that the City has to resolve.”*

*“The Auditor General could also exert influence on **management to improve their practices** and to keep their **focus on the important issues** they have to address.”*

2002 Report to the Mayor’s Taskforce on the Establishment of an Independent Auditor General:  
**Serving Council and Citizens: Strengthening the Audit Function at the City of Toronto**,  
by Denis Desautels, Auditor General for Canada, 1991- 2001

# Key Accomplishments and Activities

**2017**

18 performance audit reports and  
in-depth investigation reports  
189 new recommendations

- \$78.1 million **new** realized savings
- \$61.1 million potential savings to be realized

**2016**

15 performance audit reports and  
in-depth investigation reports  
149 new recommendations

- \$54.4 million realized savings
- \$19.5 million potential savings to be realized

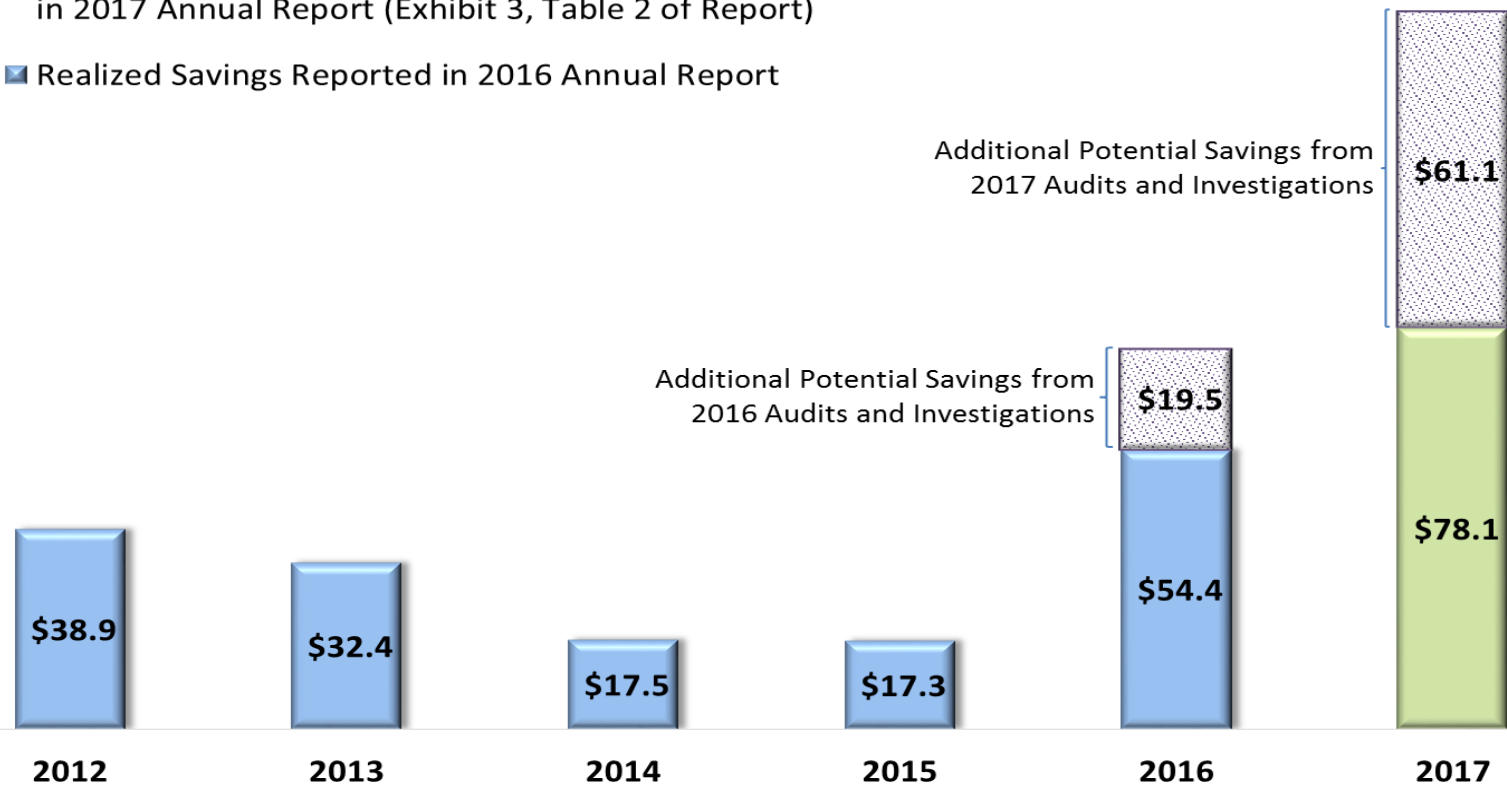
**2015**

14 performance audit reports  
163 new recommendations

- \$17.3 million realized savings

# Additional Realized and Potential Savings

- Additional Potential Savings  
(Exhibit 3, Table 4 and 5 of Report)
- New Realized Savings to be Reported  
in 2017 Annual Report (Exhibit 3, Table 2 of Report)
- Realized Savings Reported in 2016 Annual Report



Five-year savings (\$ in millions) in year identified

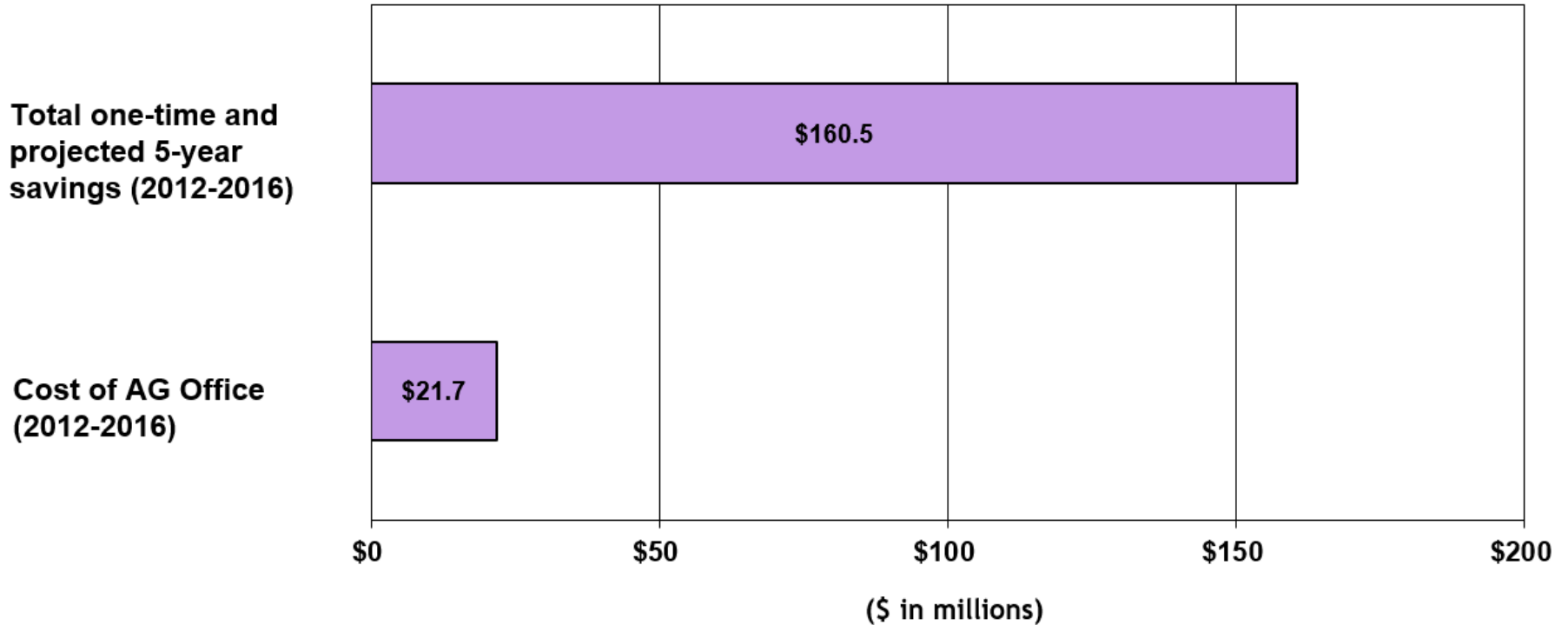
## Additional Savings Realized in 2017 Related to Recommendations Implemented from Reports Issued to December 31, 2015 (Exhibit 3, Table 2)

#	Audit Report	One-time	Annual Recurring	Total over 5 years (One-time + Annual Recurring)
1	Improving Controls Over Property Tax Assessments and Payment in Lieu of Taxes, 2015	\$2,426,000	\$5,806,000	\$31,456,000
2	Operational Review of Invest Toronto Inc., 2014	-	\$1,700,000	\$8,500,000
3	Review of Toronto Transit Commission Bus Maintenance and Shops Department, Phase One: Bus Maintenance and Warranty Administration, 2014	\$8,000,000	\$5,800,000	\$37,000,000
4	Controls Over Telecommunication Expenses Need Improvement, 2014	\$936,000	-	\$936,000
5	Fleet Services – Reliable Data is Needed for Effective Fleet Management, 2013	-	\$34,000	\$170,000
<b>Total Additional Realized Savings in 2017 (not included in previous Auditor General's Annual Reports)</b>		<b>\$11,362,000</b>	<b>\$13,340,000</b>	<b>\$78,062,000</b>

# Summary of Potential Savings Related to Reports Issued in 2017 (Exhibit 3, Table 5)

#	Audit Report	One-time	Annual Recurring	Total over 5 years (One-time + Annual Recurring)
<b>Audit Reports Issued in 2017</b>				
1	Audit of Water Billing and Collections - Phase II: Water Billing and Water Meter Management Controls Require Strengthening	\$192,000	\$600,000	\$3,192,000
2	Management of the City's Employee Extended Health and Dental Benefits, Phase Two: Ineffective Controls and Plan Design Leaving the City Vulnerable to Potential Benefit Abuse	\$75,000	-	\$75,000
3	Review of Toronto Transit Commission Procurement Policies and Practices: Improving Materials Management and Purchasing Policies Can Potentially Result in Significant Savings	-	\$8,000,000	\$40,000,000
4	Real Estate Services Division - Restore Focus on Union Station Leasing	\$9,400,000	\$54,000	\$9,670,000
5	Auditor General's Observations of a Land Acquisition at Finch Avenue West and Arrow Road by the Toronto Parking Authority - Part 2	\$2,630,000	-	\$2,630,000
6	Review of Toronto Transit Commission Accounts Payable Functions: Improving Invoice Verification and Vendor Account Management	-	\$1,100,000	\$5,500,000
<b>Total Potential Savings, 2017 Reports</b>		<b>\$12,297,000</b>	<b>\$9,754,000</b>	<b>\$61,067,000</b>

# Return on Investment



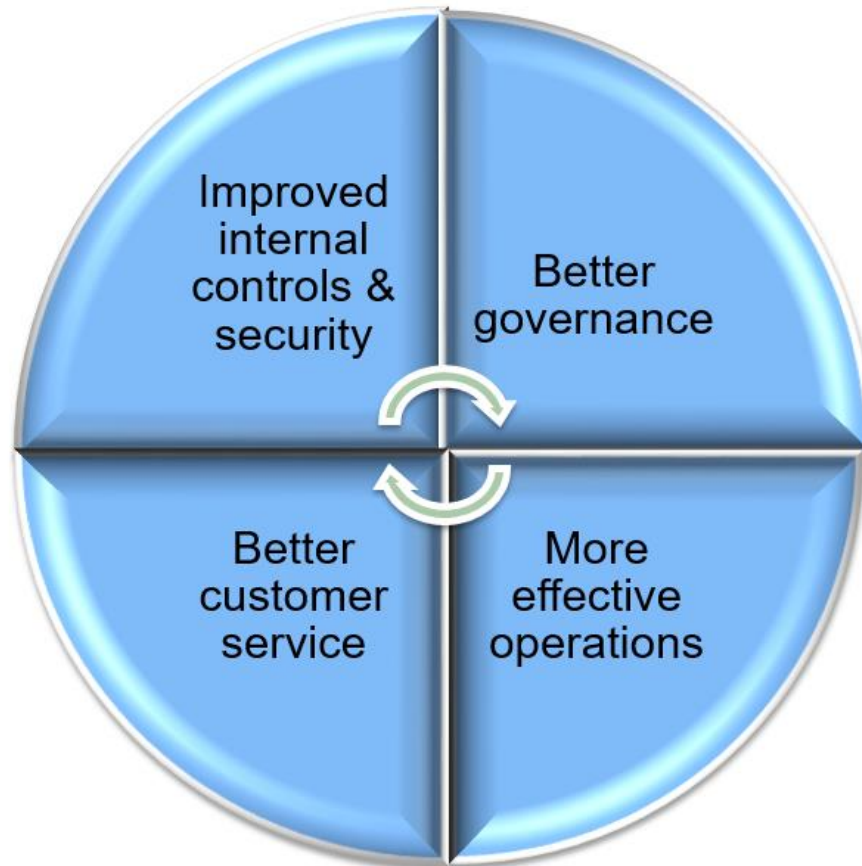
For every \$1 invested:

- the return was \$7.4 (2016 Annual Report)
- the expected return is \$8.3 (2017 forecast)

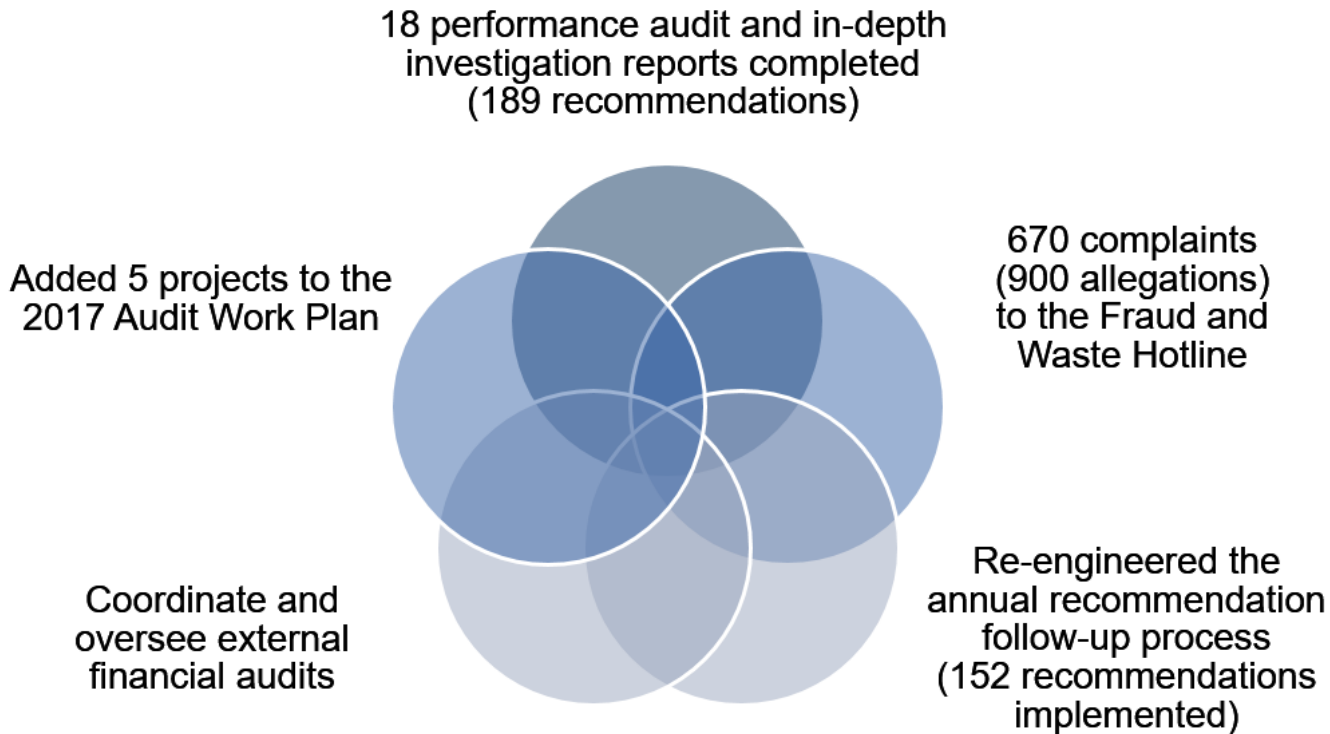


# Many Benefits of Audit

While there is always a focus on dollar savings, other important benefits include:



# 2017 Major Activities and Accomplishments



**\$1 million temporary budget increase in 2017**

- Accelerate, expand, add audits and investigations
- Significant realized and potential savings

# Moving Forward: 2018 Budget

- ▶ February 2017: City Council approved temporary budget increases to provide **additional capacity to undertake value for money audits and investigations** (EX22.2, Recommendation 250)

2017: +\$1.0 million

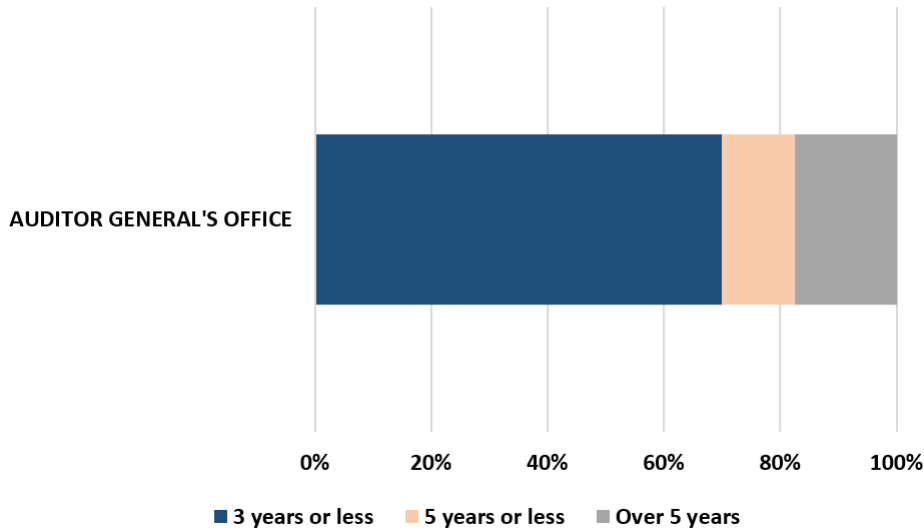
2018: +\$1.5 million

2019: +\$1.4 million

- ▶ 2018 Operating Budget request reflects the 2017 Budget + \$1.5 million

2018 Budget Request	2017 Approved Budget	2017 Projected Actual
\$7,444,900	\$5,902,900	\$5,736,900

# Risks We Are Facing

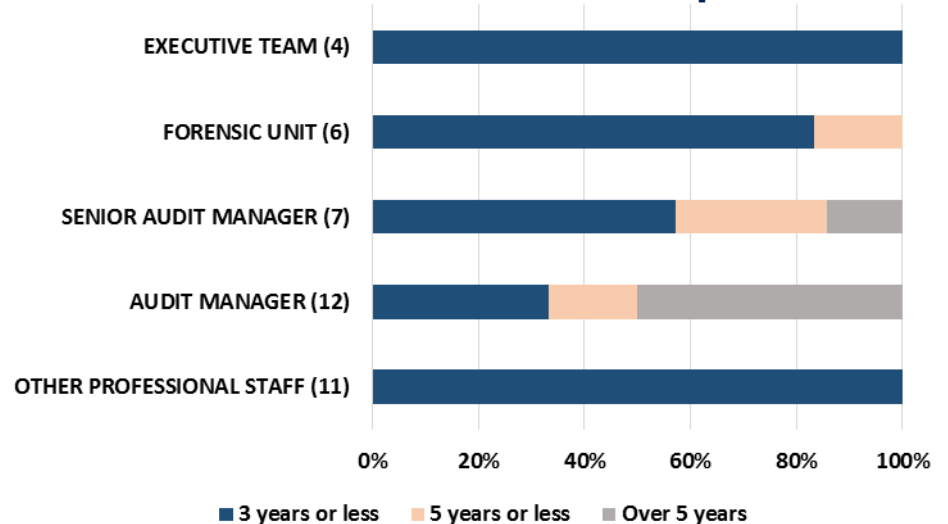


## Organization in Transition

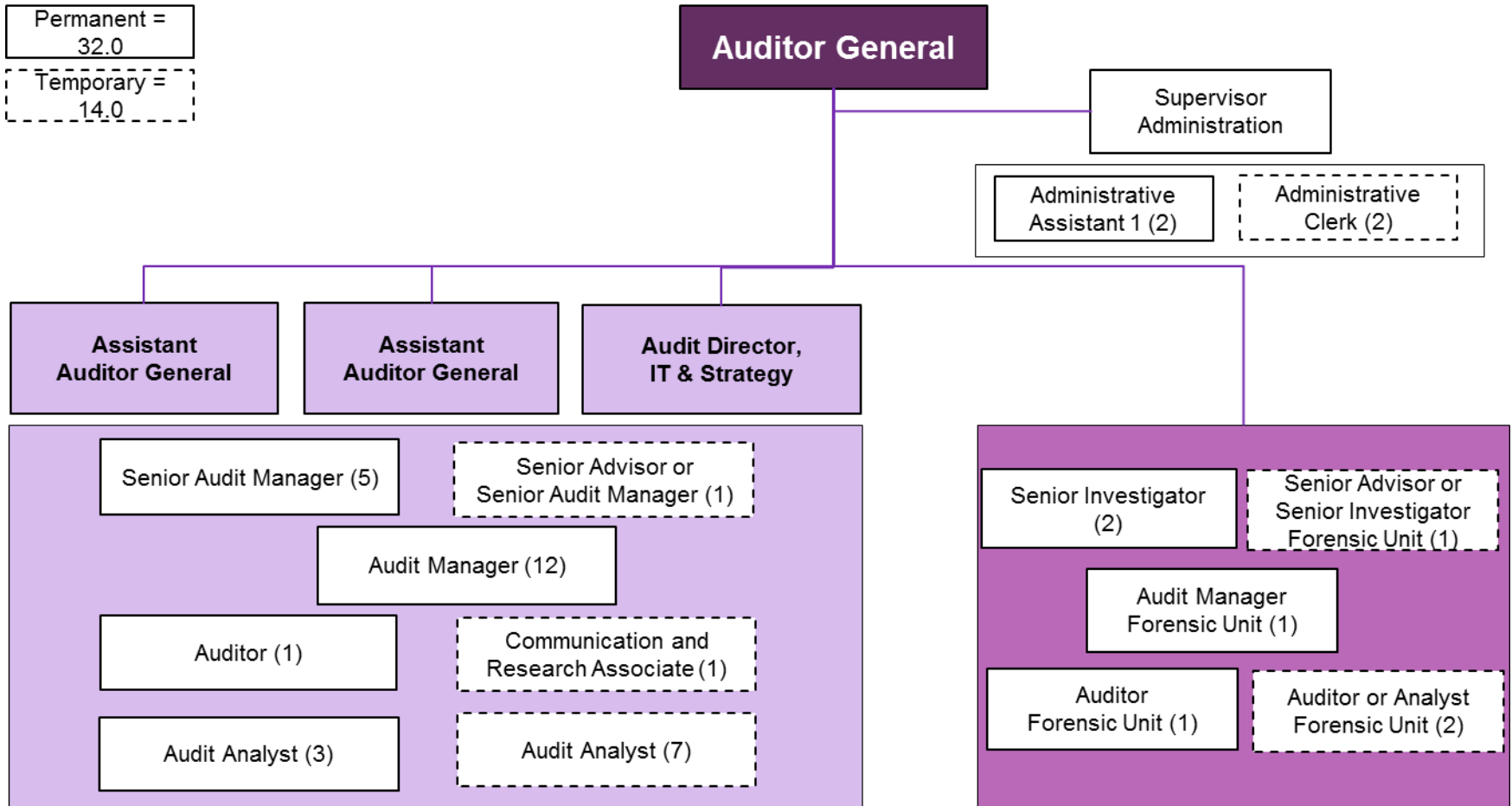
### Succession Planning:

- 43% of permanent professional staff retired in the last 5.5 years
- 17-20% of permanent professional staff are eligible to retire within 5 years
- 30% of staff are temporary
- The focus is to educate and stabilize staff over the next 5 years

### Staff who are new to their positions



# 2018 Organizational Chart and Workforce



# Recap

- ▶ The Auditor General's 2018 Operating Budget request of **\$7.445 million** reflects:
  - ▶ City Council approved temporary budget increases to provide **additional capacity to undertake value for money audits and investigations** (EX22.2, Recommendation 250)

2017: +\$1.0 million

2018: +\$1.5 million

2019: +\$1.4 million

- ▶ With the funding from City Council's additional temporary planned increases we will be able to:
  - ▶ complete a greater number of high priority projects to address risks
  - ▶ identify efficiencies and savings on a more timely basis.

# Auditor General's Office

**Behind every Auditor General there is a great team  
We are honoured to serve the City of Toronto**