

**Presentation to the Audit Committee
on October 27, 2017
Agenda Item AU10.6**

EX31.2a

Auditor General's Office 2018 Operating Budget

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Auditor General's Office
Integrity, Excellence and Innovation

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

Background: Council-Approved Budget Increases

- ▶ 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

Additional Realized and Potential Savings

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

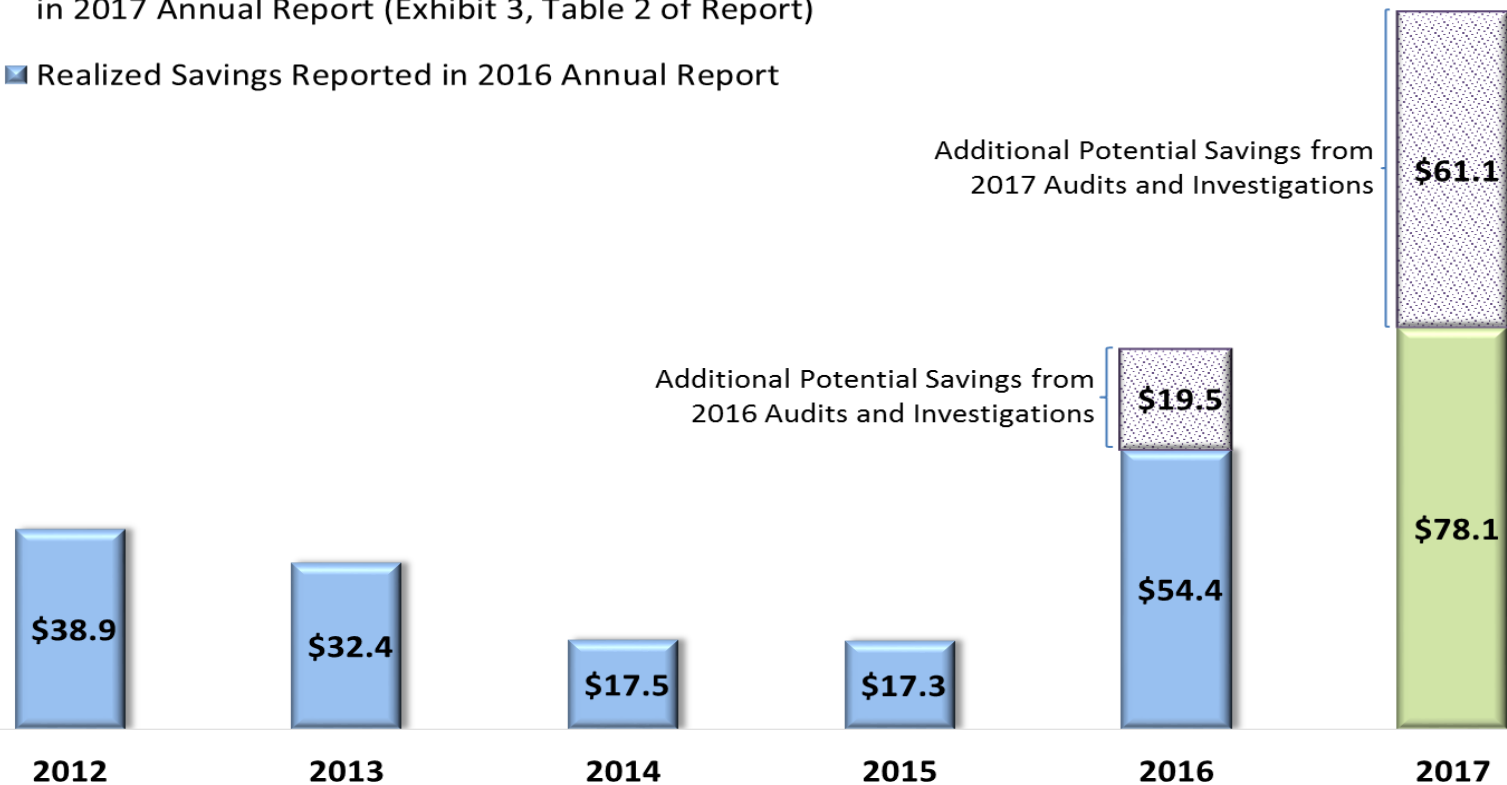
2015

14 performance audit reports
163 new recommendations

- \$17.3 million realized savings

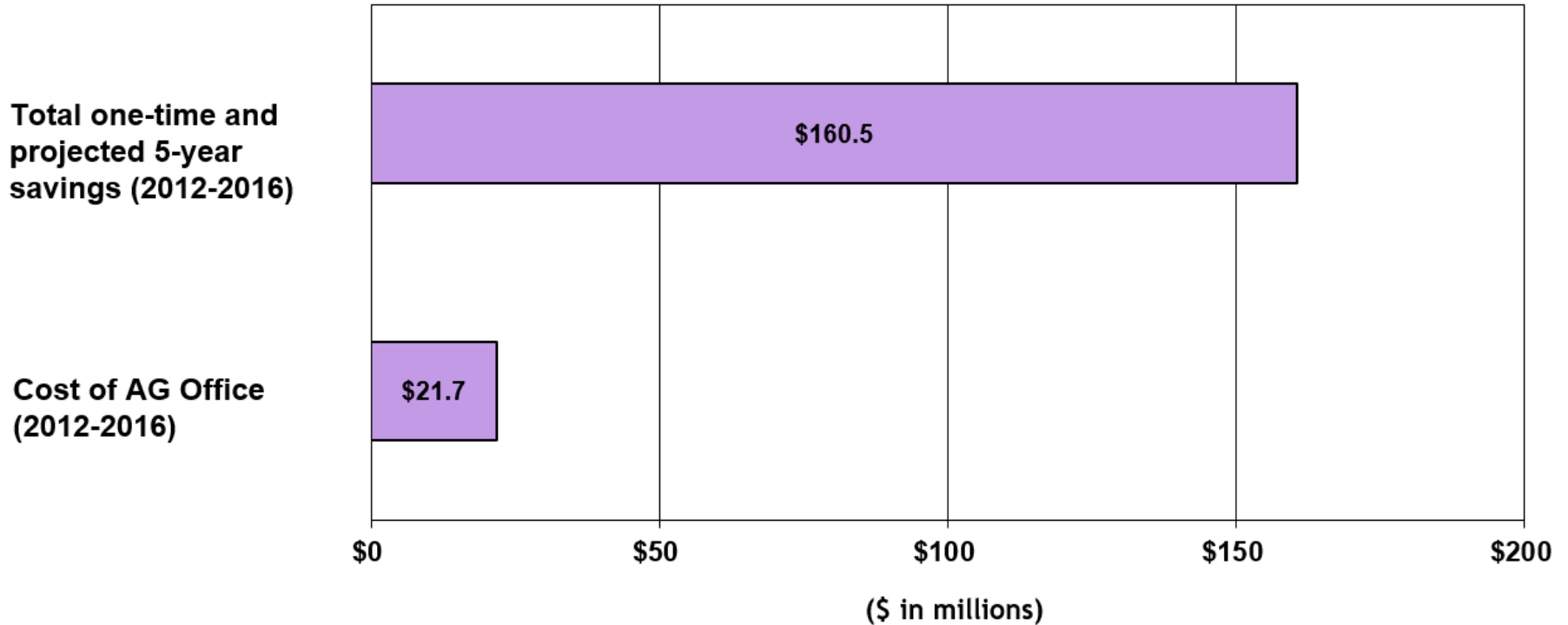
Additional Realized and Potential Savings

- 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

Return on Investment

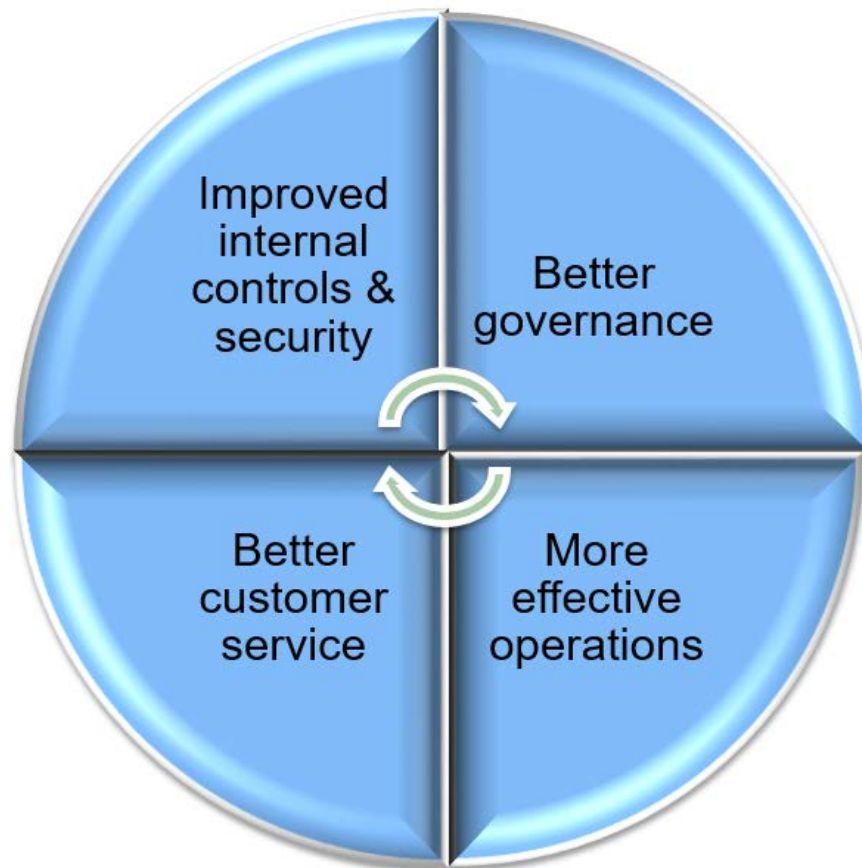


For every \$1 invested:

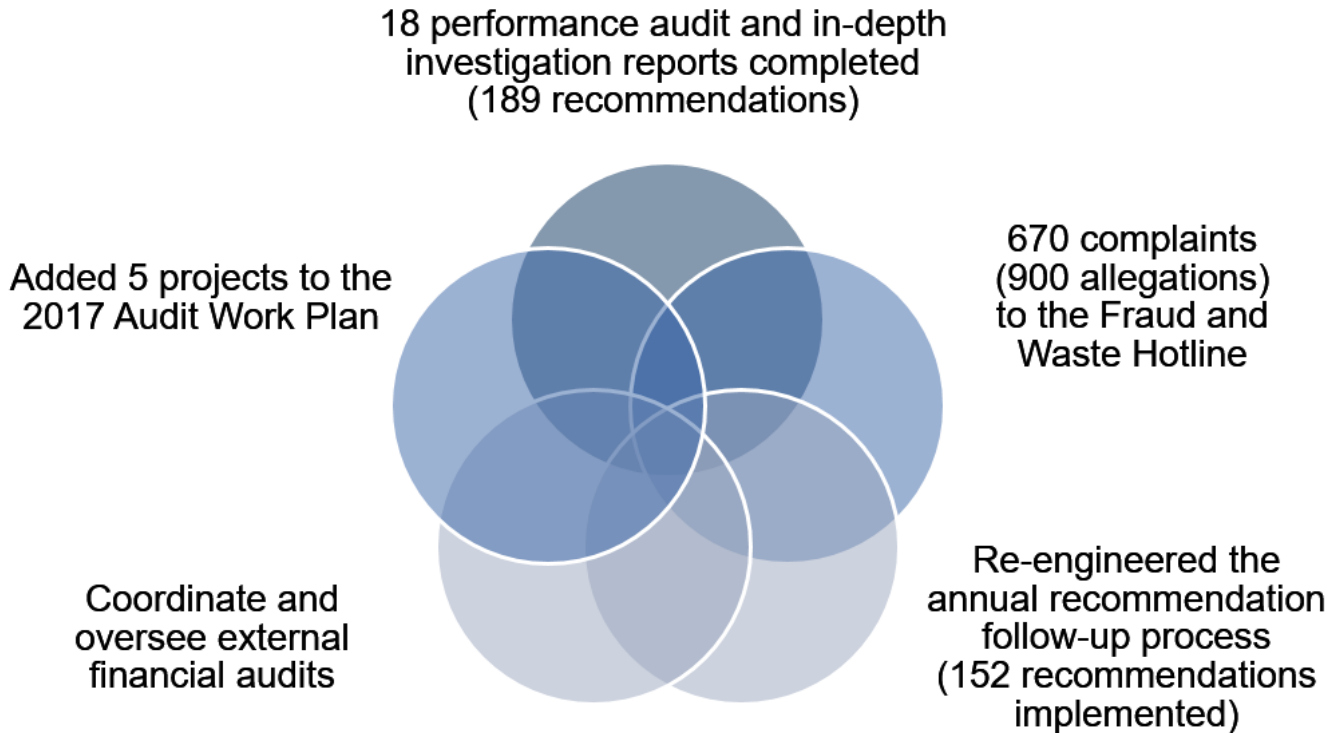
- the return was \$7.4 (2016 Annual Report)
- the expected return is \$8.3 (2017 forecast)

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

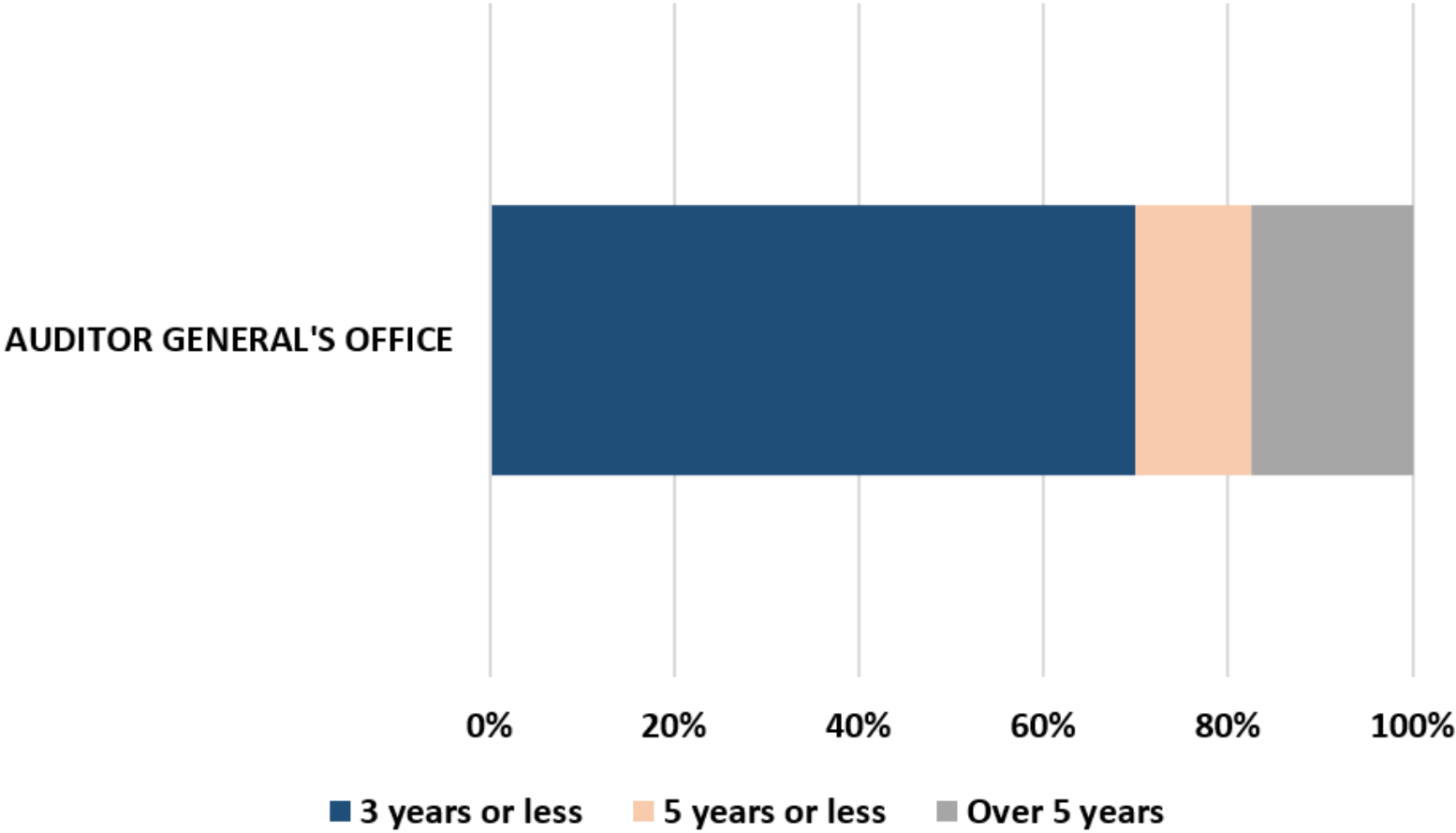
- Accelerate, expand, add audits and investigations
- Significant realized and potential savings

Moving Forward: 2018 Budget

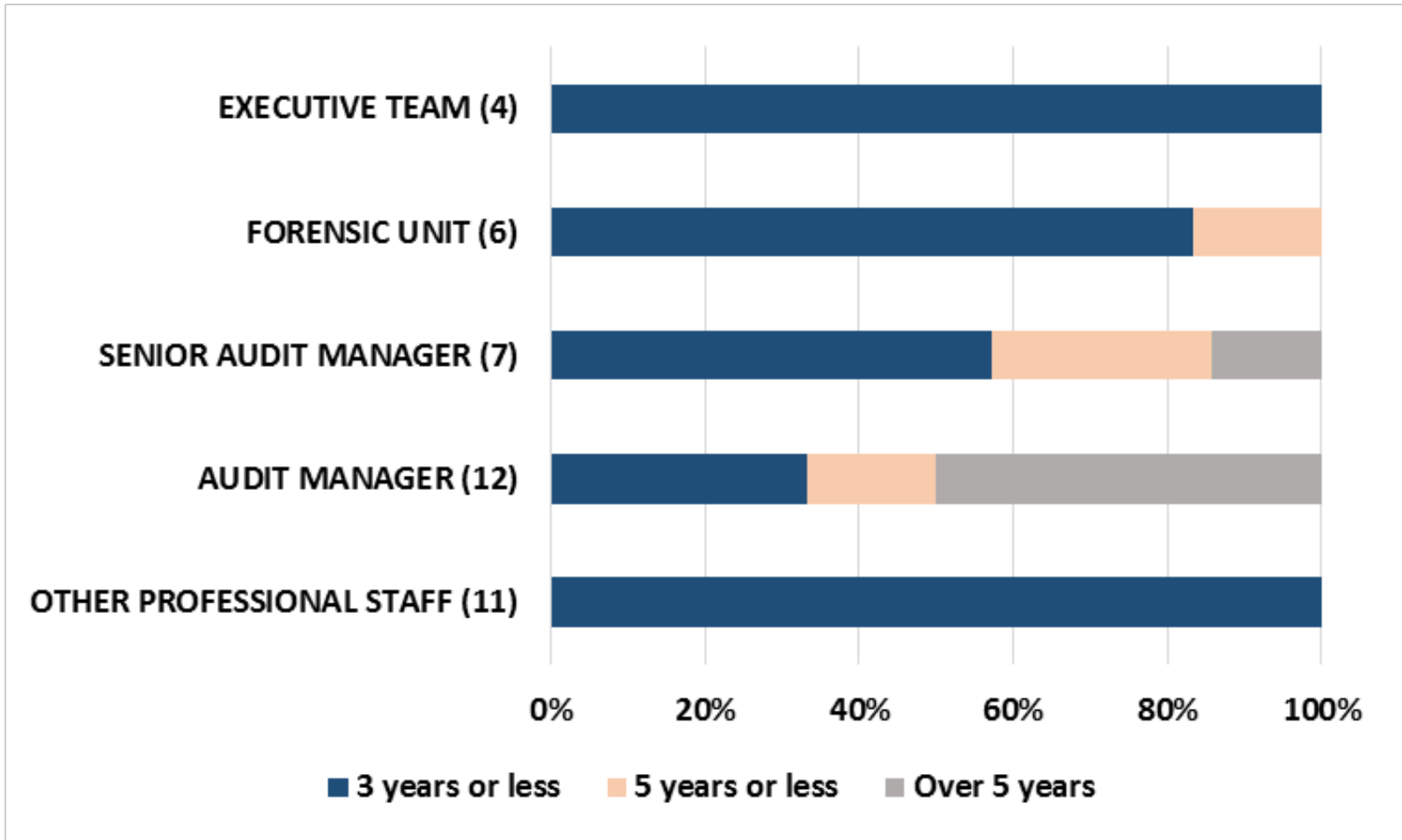
- ▶ The Auditor General’s 2018 Operating Budget request is:
\$7.445 million
- ▶ The **\$1.5 million increase** from the approved adjusted 2017 operating budget of \$5.903 million
- ▶ The increase **reflects City Council's 2017 decision** (EX22.2) to provide the Auditor General with *additional capacity to undertake value for money audits and investigations*

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

Risks We Are Facing



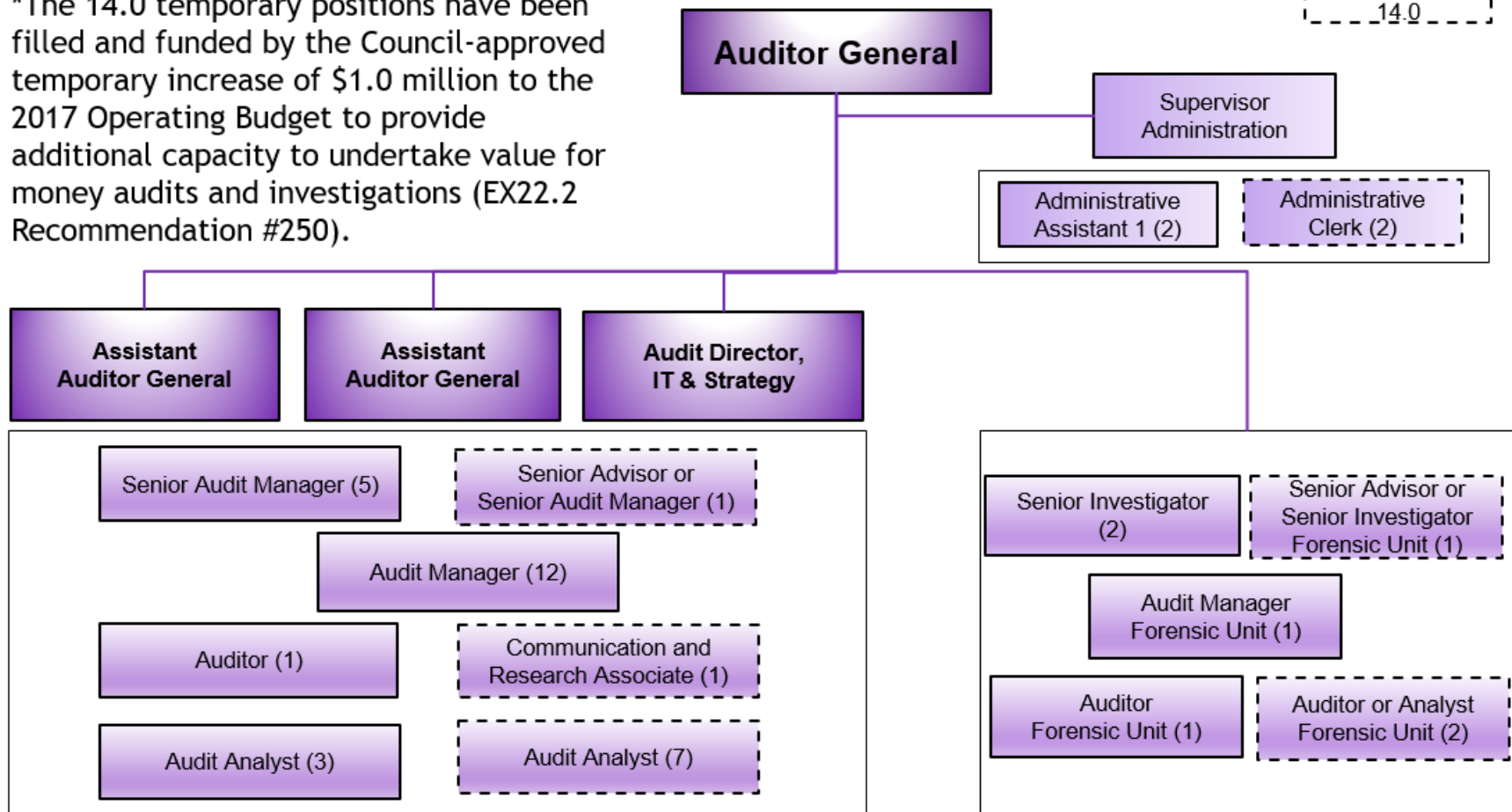
Workforce Demographics



2018 Organizational Chart and Workforce

*The 14.0 temporary positions have been filled and funded by the Council-approved temporary increase of \$1.0 million to the 2017 Operating Budget to provide additional capacity to undertake value for money audits and investigations (EX22.2 Recommendation #250).

Permanent = 32.0
 Temporary = 14.0



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**

Auditor General's Office
Integrity, Excellence and Innovation