



# Auditor General's Office 2019 Operating Budget

## January 21, 2019

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Auditor General

**AUDITOR  
GENERAL**  

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**TORONTO**

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# Table of Contents

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Budget 2019 Highlights.....	1
2019 Operating Budget Request.....	2
Return on Investment.....	6
Breakdown of the 2019 Budget Request.....	10
Auditor General's Staff Complement.....	11
Benchmarking Audit Costs with Other Municipalities .....	12
Annual Audit Work Plan .....	14
Conclusion.....	16
Exhibit 1 – Auditor General's Mandate and Responsibilities.....	17
Exhibit 2 – Audit and Investigation Reports Issued from 2016 to 2018 .....	19
Exhibit 3 – Composition of Auditor General's 2019 Budget Request .....	21



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# Budget 2019 Highlights

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## What We Do

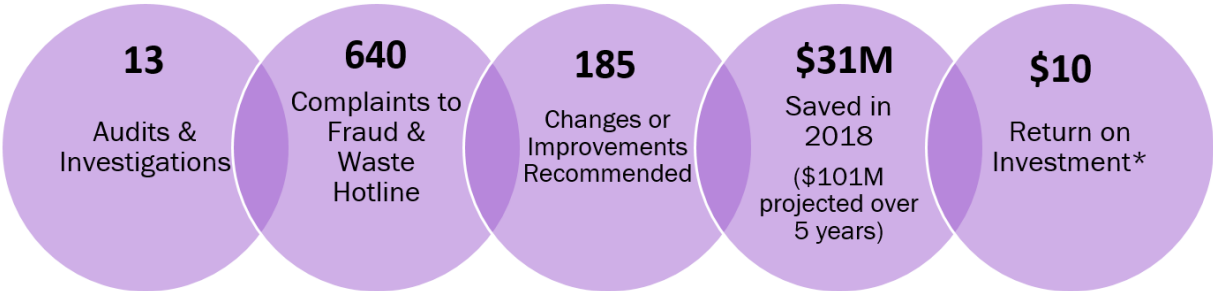
The *City of Toronto Act* includes, as part of City Council's role, the responsibility to

- "evaluate the policies and programs of the City" and "ensure practices and procedures are in place to implement the decisions of council"
- "ensure the accountability and transparency" of city operations and
- "maintain the financial integrity of the City."

Under the *City of Toronto Act*, the **Auditor General** "assists City Council in holding itself and City administrators accountable for the quality of stewardship over public funds, and for achieving value for money in City operations." In our view, the Auditor General's role is even more critical now given the increased responsibilities facing the reduced number of Councillors.

The Auditor General is independent of management, and has the authority to conduct financial, operational, forensic, reprisal and other special reviews in most City departments, Agencies and Corporations, local boards, and other entities the City is related to or has an interest in.

In **2018**, the Office identified opportunities for management to save the City a significant amount of money, improve programs and services, and improve public safety.



\* Savings identified through the Auditor General's audits and investigations far outweigh the costs to operate the Office. Cost reductions and revenue increases realized in 2018 as a result of City management implementing the Auditor General's recommendations is \$31 million. The projected ongoing savings over five years totals \$101 million.

## 2019 Budget Request

The majority of the Auditor General's \$6.639 million budget (90%) is for salaries and benefits. This 2.1% increase from 2018 is due to cost of living and progressive pay increases for existing staff.

## Staffing Enhancement

The budget includes an enhancement request to make four existing Council-approved junior temporary positions permanent. This request has no dollar impact to the 2019 budget when compared to the previous year – and only a base impact in future years of less than \$400,000 should the current temporary funding be rescinded in 2020. Making these positions permanent would greatly enhance the Office's stability, maximize costs already invested in training and developing staff, and allow the Office to continue its important oversight work.

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# 2019 Operating Budget Request

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## City Council's role

Under the *City of Toronto Act, 2006*, the role of City Council is to [emphasis added]:

- a) represent the public and to consider the well-being and interests of the City;
- b) develop and **evaluate the policies and programs** of the City;
- c) determine which services the City provides;
- d) **ensure** that administrative policies, practices and procedures and controllership policies, **practices and procedures are in place to implement the decisions** of council;
- e) **ensure the accountability and transparency of the operations** of the City, including the activities of the senior management of the City;
- f) **maintain the financial integrity** of the City; and
- g) carry out the duties of council under this or any other Act.

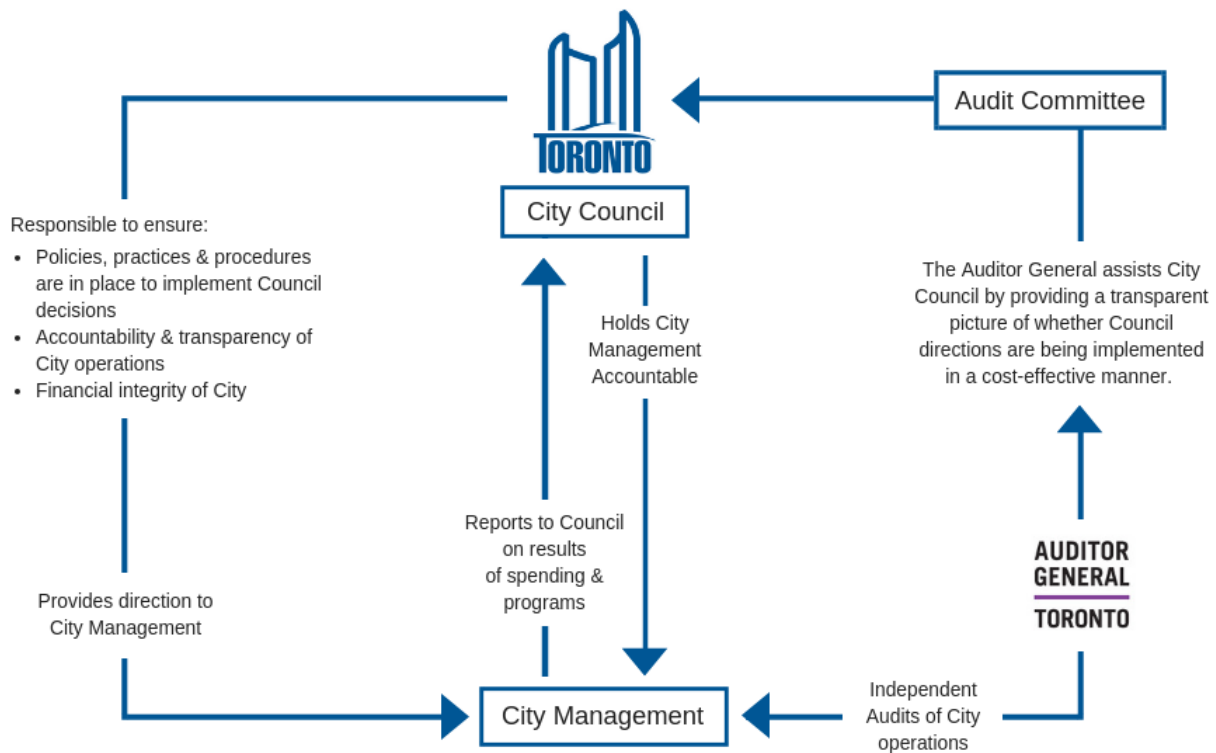
## Auditor General provides assurance to City Council regarding quality of stewardship over public funds

The Auditor General's mandate is also outlined in the *City of Toronto Act, 2006*. Under Section 178(1), the Auditor General is:

*“responsible for **assisting city council** in holding itself and its administrators **accountable** for the quality of stewardship over public funds and for the achievement of value for money in city operations.”*

City Council provides direction to City Management to carry out programs, but it must ensure that City administrators carry out these directives in a cost-effective manner. The Auditor General assists City Council by providing transparent information so that Council can be assured that the City is operating effectively. Figure 1 illustrates this relationship.

Figure 1: How the Auditor General helps City Council carry out its responsibilities



More information about the Auditor General's mandate, roles and responsibilities is available in Exhibit 1.

**A strong audit function supports Council**

When the Office was established, the former Auditor General for Canada (Mr. Denis Desautels) who led a taskforce that provided recommendations to City Council on the establishment of an Auditor General's Office, wrote [emphasis added]:

"... in my view, **a strong audit function to support Council is just as needed, if not more so**, in this kind of environment than in the more structured federal or provincial environments.

**Individual Councillors do not have the resources** of a political party with its own researchers to draw upon **and must be able to count upon the work of an independent auditor in order to fulfill their own oversight duties**. One can also argue that real accountability is harder to achieve in this kind of environment, **hence the greater need for the kind of information or assurances that an independent auditor can provide.**"

<https://www.toronto.ca/legdocs/2002/agendas/council/cc020416/pof5rpt/cl001.pdf>

**Auditor General's role is likely even more critical given the reduced size of Council**

Mr. Desautels' perspective is particularly relevant in light of recent changes stemming from the Province of Ontario's *Better Local Government Act, 2018*. The reduced number of Toronto's municipal wards and Councillors for the 2018 to 2022 term will place increased demands on Council Members' time to carry out both their legislative and constituency duties. Therefore, Councillors must be able to count upon the independent work of the Auditor General in order to fulfill their own oversight responsibilities.

**The return on every dollar invested in the Auditor General's Office is over \$10**

The Auditor General is committed to delivering value for the resources Council has invested in her Office. The cost savings found through the Auditor General's audits are significant – over the past five years, over \$10 have been saved for every \$1 invested in the Auditor General's Office.

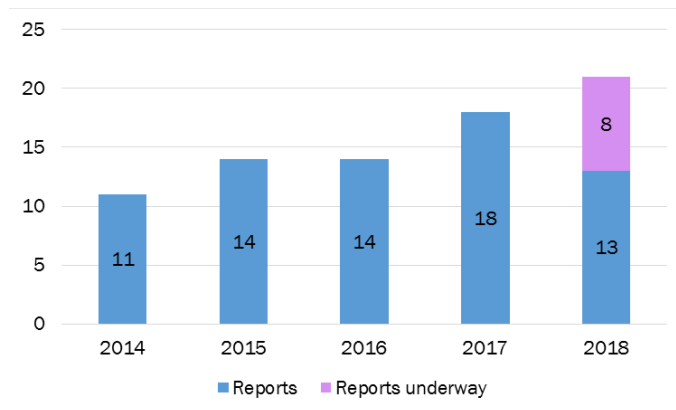
In addition to the tangible cost savings, other important benefits of the Auditor General's audits and investigations include the avoidance of future costs, a more efficient and effective City, and the protection of City assets.

**City Council provided extra capacity to undertake value for money audits and investigations in 2017 and 2018**

Over the past two years, City Council provided temporary increases to the Auditor General's budget to boost her capacity to undertake audits and investigations (2017 – \$1 million; 2018 – \$0.5 million). Council also approved four temporary positions which were staffed at junior levels.

This allowed the Office to take on more projects, and it also sped up or expanded audits and investigations. The benefits of this additional capacity provided by City Council are evident in the projects completed since new staff were added.

Figure 2: Number of reports issued, 2014-2018



**More audits and investigations completed because of increased funding in 2017 and 2018**

The following are a few examples of the reports the Office was able to complete with the increased funding support of City Council:

- Life-safety inspections: This extensive investigation into life safety inspections had wide-ranging public safety impacts on the City and the industry. Read the report: <https://www.toronto.ca/legdocs/mmis/2018/au/bgrd/backgrounfile-118387.pdf>
- Unpaid Provincial Offence fines: This audit highlighted the need for City Management to improve how it collects unpaid fines. Aside from the significant financial impact of unpaid fines, knowing that fines are collected provides the public with assurance that laws are effective and fines are a meaningful deterrent. Read the full report: <https://www.toronto.ca/legdocs/mmis/2018/au/bgrd/backgrounfile-114757.pdf>
- Permits for removing or injuring trees: Among this audit's findings was that law-abiding citizens who apply for the tree removal or injury permits could end up paying more in fees and payments than the contravention inspection fees charged to individuals who illegally remove or injure a tree. These bylaws are not conducive to compliance with permit requirements and, ultimately, the protection of trees in our City. Read the full report: <https://www.toronto.ca/legdocs/mmis/2018/au/bgrd/backgrounfile-117956.pdf>
- Licensing of the City's holistic centres and body-rub parlours: This audit shed light on questionable practices within a legally complex area. Read the full report: <https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgrounfile-108173.pdf>

**2019 Operating Budget Request of \$6,639,000**

The Auditor General's 2019 Operating Budget request is \$6.639 million. This is a \$135,000 (2.1%) increase from the 2018 Approved Budget. This increase arises from cost of living adjustments and progressive pay increases for existing staff. Salaries and benefits make up over 90 per cent of the budget.

**Maintaining investment supports the Auditor General's existing capacity to undertake value for money audits and investigations**

By maintaining its planned investment at this level, City Council is supporting the Auditor General's current capacity to undertake value for money audits and investigations.

It is our view that after considering the risks facing the City, the reduced Council size, the demonstrated positive impact of the Office and the need for the successive development of internal expertise, the Office needs all the positions it is currently using on a go-forward basis. To attract and retain staff, in 2018, the Auditor General's Office established a CPA pre-approved training program for students to complete their CPA certification program's practical experience requirement.

**Enhancement request – no net impact in 2019**

The Auditor General's 2019 Operating Budget includes a request to convert four existing Council-approved temporary positions that the Office is currently using to permanent positions. This request has no net impact in 2019 and only a base impact in future years of less than \$400,000 should the current temporary funding be rescinded in 2020.

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## Return on Investment

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The City is obtaining considerable value from investing resources into the Auditor General's Office.

**The Auditor General conducts independent, objective audits**

The Auditor General conducts independent, objective audits designed to add value and improve the effectiveness and efficiency of governance and operations. Exhibit 2 of this report includes a list of the audit reports issued from 2016 through 2018.

**An effective audit process results in significant payback to the City**

An effective audit process can also achieve the following:

- increased revenues
- reduced costs
- strengthened risk management
- improved internal controls
- enhanced protection of City assets.

**Annual Report – Demonstrating the Value of the Auditor General's Office**

The Auditor General's Annual Report to City Council, entitled *Demonstrating the Value of the Auditor General's Office*, summarizes the activities and the quantifiable financial and non-financial benefits of the Office.



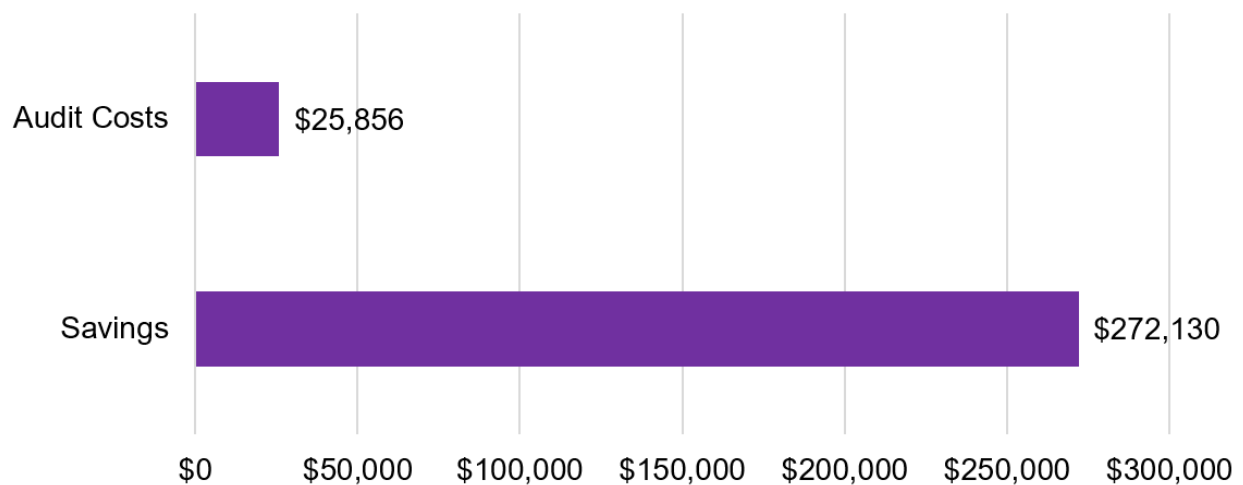
The 2018 Annual Report will be presented at the first Audit Committee meeting of the new City Council term on February 22, 2019. The 2017 Annual Report is available at: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.AU11.1>

**Every \$1 invested in the Office resulted in over \$10 in savings**

Savings identified through the Auditor General’s audits and investigations far outweigh the costs to operate the Office. Most of the savings generated represent ongoing annual savings. The return on every dollar invested in the Auditor General’s Office is over \$10. This is an 18 per cent increase from our 2017 return on investment of \$8.5.

Between 2014 and 2018, our expenditures totalled \$25.9 million. Over the same period, the projected five-year cost reductions and revenue increases realized by the City through implementing the audit recommendations is \$272 million.

Figure 3: 2014-2018 Audit Costs vs Savings (in 000s)



**\$31 million in savings realized in 2018 by implementing recommendations from past audits**

The 2018 Annual Report will highlight that, in 2018, the City realized over \$13 million in one-time cost savings and revenue increases. Going forward, the City will also achieve over \$17.5 million in savings and revenues every year. Therefore, cost reductions and revenue increases realized in 2018 is \$31 million. These savings, projected over five years, total over \$101 million. The savings and revenues are the result of management's implementation of recommendations from 14 previously issued audits.

**Additional savings will be realized as audit recommendations are implemented**

As the City continues to implement audit recommendations, additional savings can be realized. These savings will only be included in future Auditor General's annual reports when they are realized. Some examples of audits where savings are yet to be realized include:

- Potential revenue from Tree Planting Security and Tree Protection Guarantee deposits (collected between 1994 and 2017) – \$8.4 million represents deposits older than five years.
- Potential yearly savings of \$2 million if the City and TTC expedite internet telephony (VOIP) implementation, terminate unused telecommunication services on a timely basis, and review wireless price and data plans to realign contracts with needs.
- Further savings from additional ongoing implementation of recommendations at the TTC related to purchasing, payments, and inventory management.

**Recommendations related to improving controls are important but benefits may not be quantifiable**

Equally important are the non-financial benefits from Auditor General recommendations. These include strengthened internal controls, improved policies and procedures, better management and use of City resources, increased operational efficiency and better customer service.

The following are examples of recent audits and investigations for which there are significant benefits. The benefits were either non-financial in nature, or could not be conservatively quantified at the time the reports were issued.

Table 1: Examples of non-quantifiable benefits from audit and investigation reports

Non-quantifiable benefit	Report
Increased detection and prevention of serious fire safety issues	<i>Raising the Alarm: Fraud Investigation of a Vendor Providing Life Safety Inspection Services to the City of Toronto</i>
Improved strategic planning for information technology related to infrastructure and asset management	<i>IT Infrastructure and IT Asset Management Review</i>
Better controls over contracting practices	<i>Engineering and Construction Services, Phase One: Controls over Substantial Performance and Warranty Inspection Processes Should be Strengthened</i>  <i>Review of the Green Lane Landfill Operations - Management of Contracts Needs Improvement</i>
Improved child care wait list information for families	<i>Children's Services Division: Opportunities to Achieve Greater Value for Child Care from Public Funds</i>
Improved processes for ensuring fines are a meaningful deterrent when laws are broken	<i>Toronto Court Services: Collection of Provincial Offence Default Fines</i>

**Benefits of the Fraud and Waste Hotline Program**

In addition to conducting in-depth audits and investigations, the Auditor General's Fraud and Waste Hotline Program has helped to reduce losses and resulted in the protection of City assets. Without the Hotline Program, certain losses from incidents of fraud and waste might not have been identified or recovered. In 2018, the Hotline Program received over 640 complaints with 1,000 allegations of wrongdoing.

Hotline data also provides a picture of trends and potential risks that have led to audits with significant findings, including the recent audits of long-term disability, employee extended health benefits, and road maintenance.

Other benefits from the Hotline Program that are not quantifiable include:

- The deterrence of fraud or wrongdoing
- Strengthened internal controls
- Improvements in policies and procedures
- Increased operational efficiencies
- The ability to use complaint data to identify trends and make action-oriented recommendations to management.

Under the Toronto Public Service By-law, the Office must conduct reprisal investigations. It is a challenge to conduct these in a timely manner because of the Office's limited capacity, which is also tasked with forensic investigations. In addition, it is not possible to predict the number and complexity of fraud allegations and reprisal complaints received by the Fraud and Waste Hotline. For the City's size and complexity, the Hotline team is small.

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## Breakdown of the 2019 Budget Request

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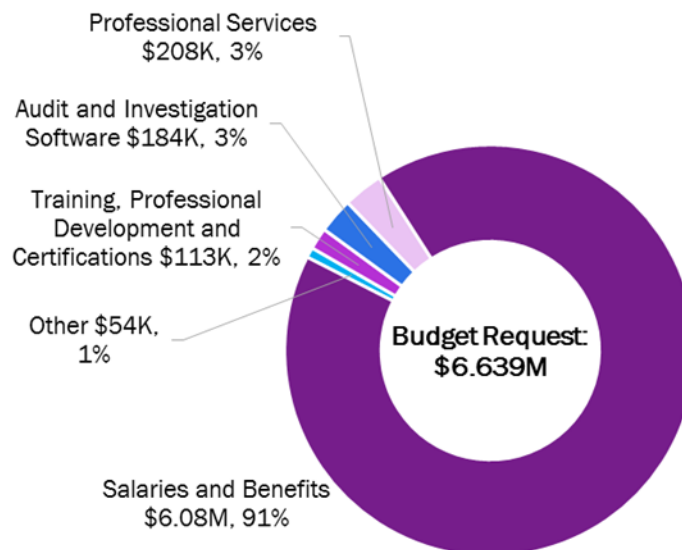
### 2019 Operating Budget Request of \$6,639,000

The Auditor General's 2019 Operating Budget request is \$6.639 million. This is a \$135,000 (2.1%) increase from the 2018 Approved Budget. This increase arises from cost of living adjustments and progressive pay increases for existing staff. The categories of expenses included in the budget, as summarized in Figure 4, are further described in Exhibit 3.

Table 2: Comparison of 2019 and 2018 Budget and Projections

2019 Budget Request	2018 Approved Budget	2018 Projected Actual
\$6,639,000	\$6,504,000	\$6,489,000

Figure 4: Budget by Expenditure Category



## Auditor General's Staff Complement

**Stable staffing is a key driver for maintaining depth, breadth, and number of audits and investigations**

Salaries and benefits make up over 90 per cent of the budget. After considering the risks facing the City, the reduction in the size of City Council, the demonstrated positive impact of the Auditor General's recommendations, the need for the successive development of internal expertise, and the added responsibility of reprisal investigations, the Office needs the 2018 staffing levels to be maintained in future years so that the Office can address operational requirements. Reductions will ultimately negatively impact the financial and non-financial benefits the City achieves as a result of Auditor General audits and investigations, and possibly increase the risks affecting the City.

**Current approved staff complement consists of 32 permanent and 4 temporary positions**

The Council-approved staff complement for the Auditor General's Office consists of 32 permanent staff positions and four temporary staff positions. Staff hired in these temporary positions were at junior levels in order to support long-term planning for ongoing skill development, career progression, and succession planning within the Office.

**Succession planning to ensure the Office is sufficiently staffed, now and for the future**

In recent years, the Office experienced a high level of staff turnover due to retirements. As summarized in Figure 5, over 70 per cent of the Office's audit and investigative staff are new to the City, or new in their positions within the past three years.

Figure 5: Length of Time Auditor General's Professional Staff Have Been in Their Current Roles

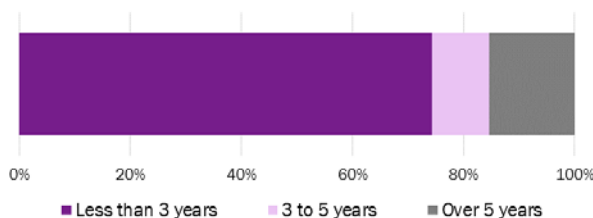
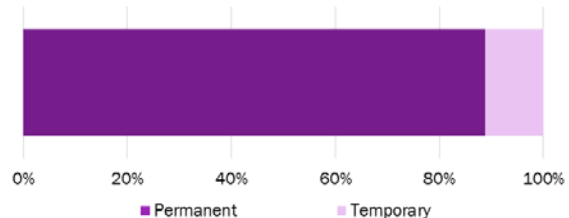


Figure 6: Permanent and Temporary Council-Approved Positions



**A significant investment of time and money has been made towards onboarding, training and developing staff**

To upgrade skills and attract and retain staff, a significant investment of time and money has been made towards onboarding, training and developing staff hired in these permanent and temporary positions.

The temporary nature of certain professional positions can pose challenges to the Office's ability to attract, hire, and retain high-quality professional staff in a competitive marketplace.

**To keep the benefits of the investments already made, it is paramount to secure staff permanently.**

Continuing to invest in our junior staff members is particularly important because we, and the City, get more value by growing and developing their knowledge. To attract and retain junior staff, in 2018, the Auditor General's Office established a CPA pre-approved training program for students to complete their CPA certification program practical experience requirement.

**Maintaining investment supports the Auditor General's existing capacity to undertake value for money audits and investigations**

To keep the benefits of the investments already made, it is paramount to secure staff permanently. By maintaining its investment at this level, City Council is supporting the Auditor General's current capacity to undertake value for money audits and investigations. This also helps the Office to continue to build and cultivate a stable, strong, competent, dedicated group of professionals that can withstand the effects of staff turnover and retirements without significantly impacting audits and investigations.

**Enhancement request has no net impact in 2019**

To address all of these challenges, the budget includes an enhancement request to convert the four temporary positions approved by City Council in 2018, making them permanent moving forward. This request has no net impact in 2019; it would permanently extend the prior year Council-approved budget increases related to the four temporary positions.

## **Benchmarking Audit Costs with Other Municipalities**

**The Auditor General's Office is considered lean by any perspective**

Multiple studies and sources have remarked on the how lean the Auditor General's Office is:

- **Mayor's Fiscal Review Panel (2008):** *"The City should increase the budget of the Auditor General's Office to enable it to complete more efficiency audits and drive more savings"*
- **Former Auditor General (since 2009):** *"The level of staff in the Auditor General's Office in relation to the audit work required is inadequate."*
- **KPMG study for the City Manager (2013):** *"It is the view of the City Manager that the City's Audit Resources, including the Auditor General's Office, are lean relative to the size and complexity of Toronto's Government."*
- **City Manager's Review of Accountability Offices conducted by Lorne Sossin, Dean of Osgoode Law School (2015):** *"Based on the volume and complexity of these Offices and in light of their counterparts in other Canadian jurisdictions, Toronto's Accountability Offices are lean by any perspective."  
"Investments in Accountability Office functions give rise to the highest possible levels of service."*

**Toronto's auditor among lowest-funded compared to other major cities in Canada and the U.S.**

The Auditor General's budget as a percentage of the City's municipal budget is in the range of 0.05 per cent. This is among the lowest of major municipalities across Canada, as well as those of a number of municipalities in the United States, as summarized in Figure 7.

**Fixed percentage funding models can support independence**

It is worth noting that some municipalities have adopted legislatively prescribed methods for funding their oversight bodies in proportion to their overall budgets. For example, the *Quebec Cities and Towns Act* in Section 107.5 requires that, "*The budget of the municipality shall include an appropriation to provide for payment of a sum to the chief auditor to cover the expenses relating to the exercise of the chief auditor's duties.*"

The City Manager's 2013 report<sup>1</sup> to City Council included jurisdictional research on funding models for accountability functions. The report noted that [emphasis added]:

*"If the Province of Quebec's percentage formula of 0.11% is applied the Auditor General's budget would be \$10.3M. While if the City of San Francisco's percentage formula of 0.2% is applied, it would be \$18.8M. As previously noted, it is the view of the City Manager that **the City's audit resources, including the Auditor General's Office, are lean relative to the size and complexity of Toronto's government.**"*

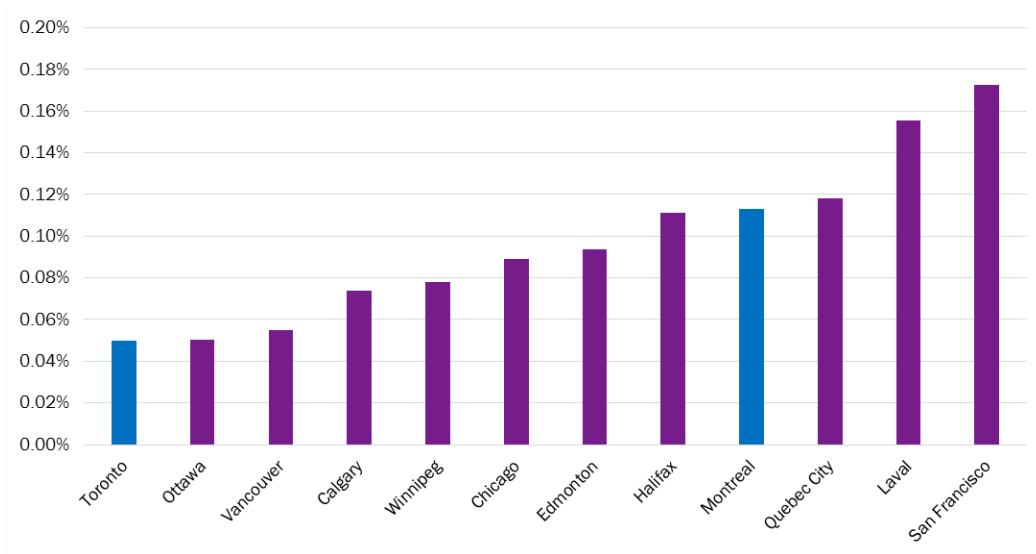
*"Should City Council wish to consider changes to this funding model or levels of resourcing for the Auditor General or Toronto's other accountability functions, including **consideration of moving to a fixed percent funding model**, further direction should be provided to Executive Committee who has carriage over the establishment and governance of Toronto's accountability functions. If City Council determines to move to a fixed percent funding model to fund some or all of its accountability functions, further analysis and research will be required in order to determine the appropriate percent."*

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<sup>1</sup> The April 2013 report from the City Manager entitled "Results Arising from the Shared Services Study Related to Internal Audit and Jurisdictional Research Respecting Funding Models for Accountability Functions" is available on the City's website at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.AU10.12>

Figure 7: Audit Costs as a Per Cent of Municipal Operating Budget



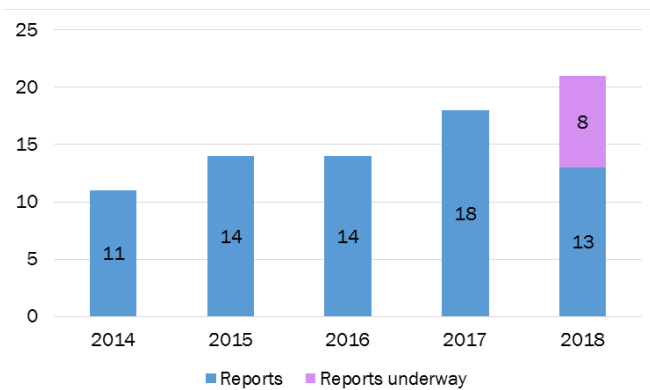
## Annual Audit Work Plan

### Breadth and depth of coverage by audits and investigations

In recent years, the Auditor General completed a number of comprehensive and complex audits and investigations that covered a broad range of programs and services across the City and its Agencies and Corporations. The audits and investigations completed between 2016 and 2018 are summarized in Exhibit 2.

Figure 8 shows the number of audit and investigation reports the Office has issued since 2014.

Figure 8: Audit and Investigation Reports, 2014-2018



\* The municipal elections made 2018 a shortened year of reporting; 2018 figures reflect audit and investigation reports issued, as well as projects underway during the year.



**City-wide audit priority assessment was last completed in 2015**

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 City operations and its major agencies and corporations.

**The Auditor General will begin a new risk assessment process in 2019**

The results of this assessment are used to set the audit priorities for the next five years. When the assessment was last completed in 2015, a number of areas for potential audits were identified. The 2016 Audit Work Plan, which included a summary (Exhibit 5) of the potential audits, can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.AU4.6>

The Auditor General will begin a new risk assessment process in 2019.

**How the annual audit work plan is established**

To establish the annual audit work plan, the results of the five-year risk assessment are considered together with an analysis of trends in allegations made to the Fraud and Waste Hotline. The Auditor General also considers the views and experience of City Councillors and City management.

**Projects included in the 2019 Audit Work Plan**

The 2019 Annual Audit Work Plan will be presented to the first Audit Committee of the new City Council term. The 2019 budget request supports 11 ongoing and upcoming audits and 14 potential new projects in our horizon for 2019/2020. The Auditor General's 2019 Annual Audit Work Plan will be presented to Audit Committee at its meeting on February 22, 2019.

Ongoing and future projects expected to be included in the 2019 Audit Work Plan range from in-depth operational reviews of units within the Parks, Forestry & Recreation division, Toronto Community Housing Corporation, and the Toronto Transit Commission, to assessing the administration of the social housing waitlist and shelter systems, reviewing significant construction contracts, and reviewing controls over information technology.

In addition to the specific audit projects, the Auditor General's Office will continue to increase our use of data analytics, conduct Fraud and Waste Hotline investigative work, and conduct follow-up reviews of outstanding audit recommendations.

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## Conclusion

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The reduced number of Toronto's municipal wards and Councillors for the 2018 to 2022 term will place increased demands on Councillors' time to carry out their legislative and constituency duties.

The Auditor General is committed to:

- providing assurance to City Council regarding the quality of stewardship over public funds in order for Councillors to fulfill their oversight duties under the *City of Toronto Act*
- delivering value for the resources Council has invested in her Office.

The Auditor General's 2019 Operating Budget request of \$6.639 million supports the same level of capacity to undertake value for money audits and investigations as in 2018.

## Exhibit 1 – Auditor General's Mandate and Responsibilities

### City Council's role

City Council's role under the *City of Toronto Act* includes a responsibility to ensure policies, practices, and procedures are in place to implement the decisions of Council. Council also must ensure the accountability and transparency of the operations of the City, including the activities of senior management.

City Council provides direction to City management, but it must ensure that City administrators carry out these directives in a cost-effective manner.

The Auditor General assists City Council by providing transparent information so that Council can be assured that the City is operating effectively.

### Auditor General required by the *City of Toronto Act, 2006*

The Auditor General's mandate is outlined in the *City of Toronto Act, 2006*. Under Section 178(1) of the *Act*, the Auditor General is:

*“responsible for assisting city council in holding itself and its administrators accountable for the quality of stewardship over public funds and for the achievement of value for money in city operations.”*

### Responsibilities of the Auditor General

The Auditor General is primarily responsible for the following:

- Performing financial<sup>2</sup>, compliance and performance (value for money) audits of City divisions, and certain agencies and corporations
- Operating the Fraud and Waste Hotline
- Conducting investigations into fraud and other wrongdoing, as well as allegations of reprisals against employees under the Disclosure of Wrongdoing and Reprisal Protection rules
- Overseeing the contract of the external auditors performing annual financial statement audits
- Following up on recommendations from previous audit reports
- Reporting annually to City Council on the activities of the Office including the savings achieved for the City
- Coordinating with the City's Internal Audit Division and internal auditors of the City's agencies and corporations to ensure the efficient and effective use of audit resources

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<sup>2</sup> In accordance with the *City of Toronto Act*, the Auditor General does not perform the audits of the financial statements of the City and its local boards.

## Audit Quality

**All audits comply with Generally Accepted Government Auditing Standards**

All of the Auditor General's audits are conducted in accordance with Generally Accepted Government Auditing Standards (the "Standards"). The Standards relate to: independence; objectivity; professional proficiency; scope; and performance of work. These Standards require that the Auditor General obtain sufficient, appropriate evidence that provides a reasonable basis for the audit findings and conclusions.

**The Office received highest possible rating in 2018 external quality assurance review**

Audit organizations performing audits in accordance with the Standards are required to undergo an external independent quality assurance review at least once every three years. This review provides assurance that established policies and procedures and applicable auditing standards are being followed. These reviews are performed by representatives from the Association of Local Government Auditors, an independent professional body which conducts a significant number of quality assurance reviews throughout the United States and Canada.

Following its review by the international peer review team, the Auditor General's Office received the highest possible rating on its external quality assurance review – the fifth time the Office has received this rating. The results of the 2018 External Quality Assurance Review will be presented at the first Audit Committee meeting of 2019 on February 22, 2019.



## Exhibit 2 – Audit and Investigation Reports Issued from 2016 to 2018

### 2018\*

1. **Raising the Alarm:** Fraud Investigation of a Vendor Providing Life Safety Inspection Services to the City of Toronto
2. Review of **Urban Forestry** – Permit Issuance and Tree By-law Enforcement Require Significant Improvement
3. Enhance Focus on **Lease Administration** of City-owned Properties
4. Review of the **Green Lane Landfill Operations** – Management of Contracts Needs Improvement
5. IT Infrastructure and IT Asset Management Review: Phase 1: Establishing an **Information Technology Roadmap** to Guide the Way Forward for Infrastructure and Asset Management
6. **Information Technology Infrastructure** and **Asset Management** Review: Phase 2: Establishing Processes for improved Due Diligence, Monitoring and Reporting for Effective IT Projects and Asset Management
7. Improvement Needed in Managing the **City's Wireless Telecommunication Contracts**
8. Engineering and Construction Services, Phase One: Controls Over Substantial Performance and **Warranty Inspection** Processes Should be Strengthened
9. Review of **Toronto Transit Commission Employee Expenses** and Reward and Recognition Programs: Opportunities to Improve Policies and Controls and Save Costs
10. **Toronto Transit Commission:** Managing **Telecommunication Contracts** and Payments
11. Children's Services Division: Opportunities to Achieve Greater Value for **Child Care** From Public Funds
12. Toronto **Court Services: Collection** of Provincial Offence Default Fines
13. Review of Toronto Transit Commission Procurement Policies and Practices: A Case Study to Improve Future **Wheel-Trans Accessible Taxi Services Procurement**

*\* Note: There was no Audit Committee meeting in the second half of 2018 due to the municipal elections.*

### 2017

1. A Review of Municipal Licensing and Standards Division's Management of Business Licences - Part One: **Licence Issuance, Inspection and Complaint Investigation** Functions
2. A Review of Municipal Licensing and Standards Division's Management of Business Licences - Part Two: **Licensed Holistic Centres**
3. A Review of Municipal Licensing and Standards Division's Management of Business Licences - Part Three: **Eating Establishments** and **Nightclubs**
4. Auditor General's Observations on the Quantity of Product Realized from the **City's Single Stream Recyclable Material (Blue Bin) Program**
5. Improving the Effectiveness of the **Basement Flooding Protection Subsidy Program**
6. Toronto Building Division: **Conditional Permits**
7. Obtaining Best Value Through the Use of **Vendor Rosters**
8. Review of Toronto **Transit Commission Accounts Payable** Functions: Improving Invoice Verification and Vendor Account Management
9. Auditor General's Office – Review of **Complaint regarding the June 29, 2016, Toronto Transit Commission Briefing Note**

10. Auditor General's Observations of a **Land Acquisition** at Finch Avenue West and Arrow Road by the **Toronto Parking Authority** - Part 2
11. Real Estate Services Division – Restore Focus on **Union Station Leasing**
12. Supplementary report to the Auditor General's Phase One Report "The City Needs to Ensure Adequate Detection and Review of Potentially Excessive and Unusual **Drug Claims**"
13. Review of **Toronto Transit Commission Procurement** Policies and Practices: Improving Materials Management and Purchasing Policies Can Potentially Result in Significant Savings
14. 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
15. Detection of **Warning Signs for Potential Bid Rigging** Should be Strengthened
16. **Toronto Building** Division – Strengthening System Controls to Safeguard **Cash Receipts**
17. **Information Technology Vulnerability** Assessment and Penetration Testing – Wrap-up Phase I and Phase II
18. Audit of **Water Billing and Collections** – Phase II: **Water Billing** and **Water Meter** Management Controls Require Improvement

## 2016

1. Management of the City's **Long-Term Disability Benefits** Phase Two: The Need for a Proactive and Holistic Approach to Managing Employee Health and Disability
2. Audit of **Water Billing and Collection** – Phase II: Part 1 – Incorrect **Vacant Land** Status Properties Reduces City's Property Tax Revenue
3. Audit of **Water Billing and Collection** – Phase II: Part 2 – Management of Water Supply Contract for the **Region of York**
4. Auditor General's Observations of a **Land Acquisition** at Finch Avenue West and Arrow Road by the **Toronto Parking Authority**
5. Strengthening Enforcement of the **Fair Wage Policy**
6. Audit of **Information Technology Vulnerability** and Penetration Testing – Phase II: Internal Penetration Testing, Part 1 – Accessibility of Network and Servers
7. Management of the City's Employee Extended Health and Dental Benefits – Phase One – The City Needs to Ensure Adequate Detection and Review of Potentially Excessive and Unusual **Drug Claims**
8. Management of the City's **Long-Term Disability Benefits**, Phase Two: Interim Report on the Approval and Monitoring of Claims
9. Improving the Tendering Process for **Paving Contracts**
10. Audit of **City Cleaning Services** – Part 1: Opportunities to Control Costs, Improve Productivity and Enhance Quality of Cleaning Services
11. Audit of City Cleaning Services – Part 2: Maximizing Value from **Cleaning Contracts**
12. Audit of **Toronto Transit Commission** Materials and Procurement Department, Phase One: Improving Controls to Safeguard **Inventory**
13. Audit of **Water Billing and Collection** – Phase I: **Overdue Water Account Collections** Require Strengthening
14. Audit of **Information Technology Vulnerability** and Penetration Testing - Phase 1: External Penetration Testing
15. **Toronto Parking Authority** Phase 2: Audit of the Revenue Operations of **Off-Street Controlled Facilities**

### Exhibit 3 – Composition of Auditor General's 2019 Budget Request

**Salaries and benefits make up over 90% of the budget**

Salaries and benefits make up over 90 per cent of the budget. If the Operating Budget is not sustained at 2018 levels (and adjusted for inflationary factors and progressive pay) on an ongoing basis, this will result in the deletion of positions and termination of staff.

**2% of budget is used to ensure staff maintain professional proficiency and certifications**

The Auditor General is also required to ensure that staff maintain professional proficiency through continuing professional education. The costs associated with maintaining required levels of professional proficiency and professional certifications make up approximately two per cent of the Auditor General's budget.

By law, we are required to comply with Government Auditing Standards. Under those standards each auditor must complete 80 hours of continuing professional education every two years with at least 24 hours directly related to government auditing, the government environment, or the specific or unique environment in which the audit entity operates.

In addition, all audit and forensic unit staff hold professional certifications or membership with professional organizations including: Chartered Professional Accountants of Ontario, the Information Systems Audit and Control Association, the Association of Certified Fraud Examiners and the Institute of Internal Auditors. These designations require additional continuing professional education requirements for specific professional certifications.

**3% of budget is used for specialists engaged to support audits and investigations**

On occasion, the Auditor General needs specific skill sets or subject matter experts to support her audits and investigations. The cost of professional services for experts, specialists and contracted audit professionals make up three per cent of the budget.

**3% of budget is for licences for Audit, Complaint and Investigation Management software**

To modernize to meet industry best practices, the Auditor General's Office acquired software to replace the outdated, decommissioned Fraud & Waste Hotline database and to automate audit working papers and risk management processes. The annual licensing and support costs of this software makes up approximately three per cent of the Auditor General's budget.

**AUDITOR  
GENERAL**  

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**TORONTO**