

2018 Annual Report – Demonstrating the Value of the Auditor General’s Office

Date: February 6, 2019

To: Audit Committee

From: Auditor General

Wards: All

SUMMARY

This report provides information on the Auditor General’s Office 2018 activities and financial and non-financial benefits.

In 2018, the Auditor General's Office issued 18 reports including 12 performance audit reports, one investigative report, three recommendation follow-up reports, and two annual reports. In addition, the Auditor General’s Fraud and Waste Hotline processed 643 complaints containing approximately 1,000 allegations.

The Auditor General's Office calculates the return on every dollar invested in the Office by comparing the ratio of five-year audit costs to the cumulative estimated five-year realized savings. Since 2014, total one-time and projected five-year cost savings and revenue increases are approximately \$303.7 million. The cumulative costs of operating the Auditor General’s Office since 2014 were approximately \$25.9 million. For every \$1 invested in the Auditor General’s Office, the return on investment was approximately \$11.7.

The identification of cost savings and increased revenue is only one component of the Auditor General’s mandate. Equally important is the ongoing evaluation of governance, risk management and internal controls. However, the benefits resulting from these audits are not easily quantified in financial terms.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council receive this report for information.

FINANCIAL IMPACT

The adoption of this report has no direct financial implication.

DECISION HISTORY

In May 2002, City Council approved an independent Auditor General's Office for the City of Toronto in conjunction with the implementation of a new audit framework.

At its meeting of November 23, 2004, the Audit Committee *"requested the Auditor General to provide the value added of his department by identifying:*

- a. actual dollar savings to the City of Toronto;*
- b. potential savings to the City of Toronto;*
- c. at risk dollars to the City of Toronto; and*
- d. for non-identifiable dollar activities, the impact of the audit review on those items."*

In accordance with the Audit Committee request, the Auditor General has consistently provided annual reports on the benefits of the work completed by the Office.

The City of Toronto Act, 2006 (the Act), formalized the establishment of the Auditor General. Under the Act, the Auditor General is responsible for assisting City Council in holding itself and City administrators accountable for the quality of stewardship over public funds and for achievement of value for money in City operations. The Auditor General conducts value for money audits and forensic examinations to fulfill this mandate.

Specific responsibilities of the Auditor General are set out in Chapters 3 and 192 of the Toronto Municipal Code. The Code requires that the Auditor General, as one of the City's accountability officers, report annually to Council on the activities of the Office and savings achieved.

COMMENTS

The Auditor General's report entitled "2018 Annual Report – Demonstrating the Value of the Auditor General's Office" is attached as Attachment 1.

The report includes an overview of major activities conducted by the Auditor General's Office in 2018, and the financial and non-financial benefits resulting from implementation of audit recommendations and operation of the Fraud and Waste Hotline Program.

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SIGNATURE

Beverly Romeo-Beehler
Auditor General

ATTACHMENTS

Attachment 1: 2018 Annual Report – Demonstrating the Value of the Auditor General's Office