



## Status of the Auditor General's Risk and Opportunity Assessment of the City and its Major Agencies and Corporations

**Date:** October 8, 2020

**To:** Audit Committee

**From:** Auditor General

**Wards:** All

### SUMMARY

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The Auditor General undertakes a risk-based approach to audit selection. To identify audit priorities for her Audit Work Plan, every five years the Auditor General performs an extensive risk assessment of the operations of the City divisions and its major agencies and corporations included in her mandate. The results of the Auditor General's last city-wide risk assessment were reported in 2015. In accordance with the Auditor General's 2020 Audit Work Plan, the Auditor General initiated a city-wide risk and opportunity assessment in early 2020.

The purpose of the Auditor General's city-wide risk and opportunity assessment is to inform the development of her risk-based Audit Work Plan. It helps to ensure that all significant areas of the City are evaluated from an audit risk perspective by using uniform criteria to identify areas that may warrant audit attention. Determining which areas to audit and the appropriate allocation of audit resources is essential in maximizing the value of an effective audit process.

The Auditor General's 2020 city-wide risk and opportunity assessment is still underway and the purpose of this report is to inform the Audit Committee of progress to date.

In 2020, the Auditor General's city-wide risk and opportunity assessment also includes the Toronto Public Library and Toronto Police Service. Both of these Boards have requested the Auditor General to perform this assessment. The proposed risk-based audit plans will be reported to their separate Boards in October/November 2020, before they are presented to the City Audit Committee. We would like to include any emerging higher risk audit areas in the Auditor General's 2021 Audit Work Plan which will be presented to Audit Committee in November 2020. The potential audit projects that can be completed will be subject to available resourcing.

We plan to report our preliminary results as part of the Auditor General's 2021 Audit Work Plan with additional updates next year.

## RECOMMENDATIONS

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The Auditor General recommends that:

1. City Council receive this report for information.

## FINANCIAL IMPACT

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This report has no financial impact. Any financial implications of our 2021 Audit Work Plan will be presented in our 2021 Operating Budget, which will be presented at the same Audit Committee meeting on November 19, 2020.

## DECISION HISTORY

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Under the City of Toronto Act, 2006, the role of City Council is to:

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

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.*"

Chapter 3 of the Toronto Municipal Code requires that "*The Auditor General shall submit an annual audit plan to Council.*" The Auditor General's risk-based approach to selecting audits informs this annual audit plan.

Article 3-3.3.B of the Toronto Municipal Code states that for certain entities, including the Toronto Public Library Board, Toronto Police Services Board, and Toronto Board of Health, the Auditor General may undertake financial (excluding attest), compliance and performance audits and provide recommendations to the Board, *upon request by the Board.*

At its meeting on June 22, 2015, the Toronto Public Library Board carried the recommendation that the Auditor General "...perform a risk assessment of the Toronto Public Library Board"<sup>1</sup>.

The Toronto Police Services Board Chair's letter dated December 12, 2019, stated that "on behalf of the Toronto Police Services Board, I invite you to conduct an overall risk assessment as well as a cyber security audit of the Toronto Police Service". City Council recommendations made at its June 29, 2020 meeting and recommendations made by the Toronto Police Services Board at its August 18, 2020 meeting, both reinforced the support for the Auditor General's work of the Toronto Police Service.

The Auditor General included both the Toronto Public Library and Toronto Police Service within the scope of the 2020 city-wide risk and opportunity assessment. Proposed risk-based audit plans of these two entities will be presented to their respective boards in October/November 2020.

## COMMENTS

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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. This extensive exercise helps identify audit priorities to be considered for the next five years. The results of the Auditor General's last city-wide risk assessment were reported in 2015. In accordance with the Auditor General's 2020 Work Plan, the Auditor General initiated a new city-wide risk assessment in early 2020.

### **COVID-19 Impact on the City-wide Risk and Opportunity Assessment**

We appreciate the impact the pandemic has had on staff workloads and priorities across the City, and altered our regular approach and timeline to completing this city-wide project. We accommodated for the extra time requested by City staff to have interviews, complete our online risk assessment survey, and provide requested documents. All of these factors have delayed the timing to completing and finalizing our 2020 city-wide risk assessment.

We have now received the majority of the risk survey responses. We plan to start the review of risk survey responses, request and review additional relevant information and reports, and meet with City staff, in the coming weeks.

### **Risk Factors Used**

We are evaluating the potential risks related to City operations using the following 10 risk factors:

- Cyber Security and Information and Technology Exposure

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<sup>1</sup> <https://www.torontopubliclibrary.ca/content/about-the-library/pdfs/board/meetings/2015/sep21/04-Minutes-June-22.pdf>

- Legal Exposure (incl. Environmental, Regulatory, Litigation)
- Susceptibility to Fraud, other Wrongdoing, or Waste
- Complexity and Significant Changes in Operations and Service Delivery
- Alignment of Strategic / Business / Service Planning
- Sufficient Staffing Levels & Organization Competence
- Financial Exposure (Materiality and Impact)
- Contractual Exposure
- Adequacy of Policies, Procedures, Processes and Controls
- Public and Political Interest

### **Toronto Police Service - Progress Update**

We had begun the risk assessment of Toronto Police Services in early 2020 at the request of the Toronto Police Services Board in December 2019, and then it was put on hold in March 2020 due to COVID-19. We re-started our risk assessment in the summer of 2020 and were planning to present our proposed risk-based audit plan to the Toronto Police Services Board at its October 22nd Board meeting. At that time we encountered some delays and challenges, which we believe we have worked through. We are now planning to present our audit plan at the Toronto Police Services Board's November 24th meeting. We have drafted an MOU that we will be sharing with the Toronto Police Service Board and Toronto Police Service. Going forward, should any challenges in conducting our work be encountered, we will bring those first to the Chief of Police, then to the Board for resolution.

Potential audit projects approved by the Toronto Police Services Board will be included in our 2021 Audit Work Plan that will be presented at the November 19, 2020 City Audit Committee meeting.

### **Toronto Public Library - Progress Update**

We began the risk assessment of Toronto Public Library in July 2020 as part of our 2020 city-wide risk assessment, as requested by the Board. The management and Board Chair of the Toronto Public Library were very cooperative and supportive throughout our risk assessment process.

We have tabled a report with the Toronto Public Library Board on our proposed risk-based audit plan for the Board's October 19, 2020 meeting. We plan to incorporate potential audit projects from the risk-based audit plan, as adopted by the Board, into the Auditor General's 2021 Work Plan to be presented to City Audit Committee on November 19, 2020. The Audit Work Plan will include our report to the Toronto Public Library Board as an attachment.

## **CONTACT**

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## **SIGNATURE**

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Beverly Romeo-Beehler  
Auditor General

## **ATTACHMENTS**

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Attachment 1: Description of Risk Factors