

**REPORT FOR ACTION****Auditor General's Office 2021 Operating Budget**

Date: November 5, 2020

To: Audit Committee

From: Auditor General

Wards: All

SUMMARY

In accordance with Chapter 3 of the Toronto Municipal Code, the Auditor General is submitting her 2021 Operating Budget request to the Audit Committee for consideration and recommendation to City Council.

The attached report provides information relating to the Auditor General's 2021 Operating Budget request of \$6.651 million. This is slightly less than the base budget request last year and is equal to 1/20th of one per cent, or 0.05 per cent, of the City's 2020 Approved Adjusted Budget. Within the requested base budget, the Auditor General is seeking to convert five temporary contract staff positions to permanent positions as part of an organizational restructure. This will result in a net zero budget impact; conversion costs will be absorbed in the base budget.

The budget request supports the Auditor General providing the same level of capacity to undertake value for money audits and investigations as in previous years. The Auditor General recognizes the City's ongoing financial pressures, especially with a focus on identifying savings and/or efficiencies. That being said, the benefits of performance audits that the Auditor General brings are that much more valuable. As highlighted in the Auditor General's Annual Reports, past audit reports have realized millions of dollars in cost savings, avoided costs, and identified revenue increases and new revenues.

The Auditor General's 2021 Work Plan is being presented to the Audit Committee at the same meeting as this 2021 Budget Request.

RECOMMENDATIONS

The Auditor General recommends that:

1. Audit Committee approve the attached 2021 Operating Budget for the Auditor General's Office, and forward it to City Council through the Budget Committee.
2. City Council approve the Auditor General's request to convert five temporary contract staff positions into permanent positions; resulting in a net zero budget impact.

FINANCIAL IMPACT

City Council approved a temporary one-year enhancement of \$675,000 during the 2020 budget process; this amount is not included in the Auditor General's 2021 budget request. The majority of the Auditor General's \$6.651 million budget request (92 per cent) is for salaries and benefits. The Auditor General's request to convert five temporary contract staff positions to permanent positions will have a net zero budget impact; where conversion costs will be absorbed in the base budget.

Table 1: Comparison of 2021 and 2020 Budget and Projections

2021 Budget Request	2020 Approved Budget	2020 Projected Actual*
\$6,651,641	\$7,375,800	\$7,375,800

*Based on Q2 Corporate Variance Report

Funding the Auditor General's 2021 budget request will continue to preserve the level of service provided over the last three years. It is the Auditor General's view that this is the minimum needed to allow the Office to keep up with the complexity of audits and investigations, the size of our mandate, and our operating context. The Office also needs to be able to address emerging risks that require immediate attention.

DECISION HISTORY

The 2021 budget request supports the Auditor General providing the same level of capacity to undertake value for money audits and investigations as in previous years. It is recommended that City Council approve the Auditor General's request to convert five temporary contract staff positions into permanent positions; resulting in a net zero budget impact.

COMMENTS

The Auditor General recognizes the City's ongoing financial pressures, especially with a focus on identifying savings and/or efficiencies. That being said, the benefits of performance audits that the Auditor General brings are that much more valuable. As highlighted in the Auditor General's Annual Reports, past audit reports have realized millions of dollars in cost savings, avoided costs, and identified revenue increases and new revenues.

The attached report provides information relating to the Auditor General's 2021 Operating Budget request of \$6.651 million. This amount is equal to 1/20th of one per cent, or 0.05 per cent, of the City's 2020 Approved Adjusted Budget.

At the request of the Toronto Police Service and Toronto Public Library Boards, the Auditor General performed risk assessments to identify potential high risk areas that could benefit from an audit. The Auditor General plans to broaden her coverage of audits and reviews of operations governed by these Boards by including several audit projects in 2021 and beyond.

Key Service Issues & Challenges for 2021 and Beyond

1. Continuous balancing of audit priorities and available audit resources to carry out audit projects at the Toronto Police Service and the Toronto Public Library. This means that the Office's backlog of audit projects will continue to grow.
2. For the City's size and complexity, the Forensic Unit is small. A number of high-risk complaints are waiting to be addressed and 2020 saw an increase in complaints and allegations to the Auditor General's Fraud and Waste Hotline. Delays are primarily due to resource constraints.
3. Cyber security risks have increased as the COVID-19 pandemic forced more City operations to quickly transition to online, remote work. In order to quickly address and respond to certain information technology risks, the Auditor General may need to delay some audits included in her Annual Work Plan.

Key Priority Actions

Flexibility within the Auditor General's approved budget and staffing is needed to be able to leverage the use of experts and specialized tools to address emerging risk areas. By broadening her coverage to include audits at the Toronto Police Service and Toronto Public Library, results of these performance audits could identify cost savings and efficiencies to help the City address its financial pressures.

City Council's continued commitment to investing in the Auditor General's Office will help to ensure that audits of priority areas and emerging risks, as well as investigations of high-risk complaints are adequately addressed in a timely manner.

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SIGNATURE

Beverly Romeo-Beehler
Auditor General

ATTACHMENTS

Attachment 1: Auditor General's Office 2021 Operating Budget