

Auditor General's Office 2022 Operating Budget

Date: October 19, 2021

To: Audit Committee

From: Auditor General

Wards: All

SUMMARY

The attached report provides information supporting the Auditor General's 2022 Operating Budget request of \$7.658 million. This includes \$675,000 to restore the Auditor General's budget to pre-pandemic (2020) levels and an additional \$325,000 in temporary funding for a pandemic related audit requested by City Management. The Auditor General's budget request reflects funding needed to help address some of the following:

- responding to an expanded mandate¹ and inflow of requests for audits
- providing valuable independent oversight of critical systems to ensure the City is well-positioned to detect, mitigate, and respond to IT and cybersecurity risks
- conducting investigations on serious, time-sensitive issues, and
- undertaking the City-wide COVID-19 Continuous Improvement Audit.

In light of funding issues brought on by the pandemic, the Auditor General worked on delivering a larger mandate within a reduced 2021 budget. While she and her dedicated staff accomplished important work on this expanded mandate in 2021, some of that work carries on and more issues are being identified, so support is needed to meet critical emerging issues, in addition to working on projects in this expanded mandate. The Auditor General is requesting a return to her 2020 budget level by adding back \$675,000 to her budget.

The Auditor General is also considering an audit that stems from a special request from the City Manager, the Fire Chief & General Manager of Emergency Management & COVID-19 Incident Commander, and the Medical Officer of Health. They have requested an audit of how the City performed during the pandemic, with a goal of also identifying how to be better prepared in the future. Should City Council support this request, the Auditor General would need additional temporary funding of \$325,000 to

¹ The Auditor General's mandate was expanded beyond the provincial *City of Toronto Act* mandate, and even though the Toronto Municipal Code allows the Auditor General to conduct audits of these boards upon request or special permission, it is only recently in the Auditor General's term that those requests are materializing and being included in the Audit Work Plans

conduct this work. This amount is already included in the Auditor General's 2022 budget request.

The Auditor General's Office provides City Council with an independent assessment of the safeguarding of public funds and whether the City is achieving value for money in operations by conducting performance, cybersecurity, financial, operational and compliance audits and reviews, and forensic investigations of City divisions and certain City agencies and corporations. As reported in her past Annual Reports, the Auditor General continues to demonstrate her value to City Council through the net positive return on quantifiable and non-quantifiable benefits to the City.

The Auditor General's 2022 Work Plan is being presented to the Audit Committee at the same meeting as her 2022 Operating Budget. The 2022 budget request supports 11 in-progress and ongoing projects that will be completed in 2022, and five new projects to commence in late 2021 or 2022. City Council's support to restore the Auditor General's budget to pre-pandemic (2020) levels and provide additional temporary funding for an audit of the City's COVID-19 response, helps to address the 2022 Work Plan, including the requested audit of the City's COVID-19 response, as well as commence projects in the following areas:

- Cybersecurity assessment of a critical system – possibly the 911 system
- Information Technology - Enterprise Work Management System
- Additional investigations related to allegations of fraud or other wrongdoing

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council approve the 2022 Operating Budget for the Auditor General's Office in the amount of \$7.658 million gross and net, as outlined in Attachment 1 to this report.
2. City Council approve the 2022 staff complement for the Auditor General's Office of 44.0 positions, as outlined in Attachment 1 to this report.
3. The Audit Committee direct that this report be forwarded to the Budget Committee for consideration during the 2022 Budget process.

FINANCIAL IMPACT

The Auditor General's Office recognizes the City's ongoing financial pressures and focus on identifying savings and / or efficiencies.

The 2022 Operating Budget request is 0.054 per cent of the City's 2021 Approved Adjusted Operating Budget. It is the Auditor General's view that the Office budget is lean relative to the size and complexity of Toronto's government.

Table 1: Comparison of 2022, 2021, and 2020 Budget

2022 Budget Request	2021 Approved Adjusted Budget	2020 Approved Adjusted Budget
\$7,657,700	\$6,640,600*	\$7,375,800

** In recognition of the City's ongoing financial pressures, the Auditor General reduced her 2021 budget by nearly 10 per cent (when compared to the 2020 pre-pandemic budget).*

Up to this point, the Auditor General has absorbed the cost of an expanded mandate within her base budget. But this meant that some audits and investigations at other City divisions, agencies and corporations in the 2021 Work Plan had to be delayed.

The Auditor General's 2022 Operating Budget request includes an enhancement request of:

- \$675,000 to restore the Auditor General's budget to pre-pandemic (2020) levels, which includes three new positions and funding for contracted specialists, and
- an additional \$325,000 in temporary funding for an audit requested by City Management.

The 2022 enhancement request totals \$1 million dollars, including the temporary funding of \$325,000.

DECISION HISTORY

In 2021, the Auditor General absorbed the cost of an expanded mandate within her base budget. City Council's commitment to restoring the Auditor General's Office budget to pre-pandemic (2020) levels will help to ensure that audits of priority areas and emerging risks, as well as investigations of high-risk complaints are addressed in a timely manner. The budget request also includes a temporary request for \$325,000 if City Council requests the Auditor General to evaluate the City's response to COVID-19.

COMMENTS

In addition to bringing critical information to City Council, the Auditor General has demonstrated that her work has been a catalyst for change across the City. As reported in her past Annual Reports, the Auditor General continues to demonstrate the value of the work performed by her Office to City Council through the net positive return on quantifiable and non-quantifiable benefits to the City.

1. Impact of Expanding the Auditor General's Mandate

Additional requests to conduct audit work were made by City Council and the Toronto Police Services (TPS) and Toronto Public Library (TPL) Boards. Potential projects were presented and adopted by the two Boards, and some of those audits were included in the Auditor General's 2021 Work Plan.

These organizations have not been audited by the Auditor General for over 10 years. The Office is moving forward on these projects, but they take significant resources. For example, the Auditor General's 2021 Work Plan included three separate projects related to TPS. Throughout 2021, 20 per cent of the Auditor General's staff were assigned to TPS audit projects. Because the TPS Board falls outside the powers and duties granted to the Auditor General under the *City of Toronto Act, 2006*, this added work presented extra challenges; it took time to work through the legislative and privacy challenges in order to obtain access to the data required for these audits. Although TPS is being fully cooperative and one project was completed in 2021, because of the information challenges the two other performance audits are taking longer than our traditional performance audits, and will be completed in 2022.

2. Cybersecurity audit support

Cybersecurity risks are among the greatest risks facing organisations around the world, including Toronto, which is the fourth-largest City in North America. Critical cybersecurity system audits by the Auditor General are necessary for her to provide City Council with independent assurance regarding how the City is dealing with emerging threats.

As the City continues to invest significant dollars towards implementing new systems, independent assessments by the Auditor General are needed to ensure that processes are in place to address privacy and cybersecurity risks, and that systems have adequate controls, are cost effective, and are achieving their intended outcomes. In 2021, approximately 10 per cent of the Office's staff complement and a significant portion of the budgeted contracted professional services cost was allocated toward auditing cybersecurity and IT risks. The Auditor General's staff have been working extremely hard to provide information to City Council on IT risks as quickly as possible. Council's ongoing support is needed to continue and expand upon the work the Auditor General's Office has been delivering in this area and to provide timely information and assurance to City Council.

3. More resources needed to conduct major fraud investigations

Research by the Association of Certified Fraud Examiners has shown that 51 per cent of organizations have discovered more fraud since the onset of the pandemic. Our Office currently has several active investigations underway, but there are still a number of investigations waiting to be addressed which are delayed due to limited resources. The Fraud & Waste Hotline also continues to receive a high volume of allegations.

In recent years, because of the backlog of high-risk investigations, the Auditor General has also supplemented the Forensic Unit with staff normally assigned to audits. Consequently, the Auditor General has had to delay or defer audits included in the Work Plan.

Heading into 2022, there continues to be a growing number of high-risk complaints that have yet to be addressed. Without Council's support to restore the Office's budget to pre-pandemic levels, the Auditor General may need to continue assigning audit staff to

investigations, which means that other audit projects on the Work Plan may have to be delayed.

4. Management's request to evaluate the City's response to COVID-19

The Auditor General is independent of the City's administration. For this reason, the City Manager's Office requested the Auditor General to complete an objective evaluation of the City's Emergency Response Plan, which was activated more than a year ago in response to the COVID-19 pandemic. The Auditor General's 2022 budget includes a request for \$325,000 in temporary funding for a team of two to three auditors and specialists needed to carry out this specific project.

An audit of this area would likely include governance structures, decision-making processes, reliability of information, analysis of alternatives, lessons learned, and operational elements. This would not be an audit of decisions made and implemented by Toronto Public Health, which falls outside the authority and mandate of Toronto's Auditor General.

City Council's commitment to restoring the Auditor General's Office budget to pre-pandemic (2020) levels will help provide resources to better address audits of priority areas and emerging risks, as well as investigations of high-risk complaints in a timely manner.

The Auditor General is committed to:

- providing assurance to City Council regarding the quality of stewardship over public funds and whether value for money is being achieved in City operations in order to assist Councillors in fulfilling their oversight duties under the *City of Toronto Act*,
- delivering value for the resources Council has invested in her Office, and
- continuous improvement.

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SIGNATURE

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Auditor General

ATTACHMENTS

Attachment 1: Auditor General's Office 2022 Operating Budget