

2022 Budget Notes

Office of the Auditor General

To preserve the independence of the Accountability Officers, and as set out in Chapter 3 of the Toronto Municipal Code "Accountability Officers", the budget submissions from the Accountability Officers including the Auditor General, are not subject to an administrative review by the City Manager or Chief Financial Officer and Treasurer prior to submission to the Budget Committee.

Description

Under Section 178(1) of the *City of Toronto Act, 2006*, 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's Office assists City Council by providing an independent assessment of the quality of stewardship over public funds and whether value for money is being achieved in operations by conducting performance audits, cybersecurity, financial, operational and compliance audits and reviews, and forensic investigations of City divisions and certain City agencies and corporations. The Auditor General's independent and objective lens has been a catalyst for changes that have resulted in both financial and non-financial benefits to the City.

Why We Do It

Under the *City of Toronto Act, 2006*, City Council's role includes ensuring City's practices and procedures are in place to implement the decisions of Council and that the City maintains accountability, transparency and financial integrity in City operations.

The Auditor General supports City Council in fulfilling its due diligence responsibilities by independently providing transparent information to help City Council ensure Torontonians' tax dollars are spent as City Council intended.

In addition to bringing critical information to City Council, 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 investment, quantifiable and non-quantifiable benefits to the City.

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Auditor General

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While we aim to provide fully accessible content, there is no text alternative available for some of the content within these pages. If you require alternate formats or need assistance understanding our charts, graphs, or any other content, please contact us at 416-392-8030 or AuditorGeneral@toronto.ca.

What Service We Provide

Who We Serve: The Auditor General's audits, reviews, and investigations provide independent information for City Council to hold City administrators accountable for providing stewardship over public funds.

What We Deliver: We deliver complex audits, reviews and investigations that cover a broad range of programs and services across the City and its agencies and corporations, such as cybersecurity, contract management of urban forestry and winter maintenance services, affordable and social housing, and Toronto Transit Commission revenue operations.

Projects that will be commenced and/or delivered in 2022 have been included in the Auditor General's Office 2022 Work Plan which was considered by City Council on November 9, 2021. The Work Plan includes 11 in-progress or ongoing projects that will be completed in 2022 plus five new projects that are commencing in late 2021 or during 2022.

With City Council's support to restore the Auditor General's budget to pre-pandemic (2020) levels and additional temporary funding for an audit of the City's COVID-19 response, the Auditor General can address the 2022 Work Plan, include the requested audit of the City's COVID-19 response, as well as commence projects in the following areas:

- Cyber security assessment of high-risk critical systems
- Information technology audit of Enterprise Work Management System
- Additional investigations related to allegations of fraud or other wrongdoing.

The Auditor General's Office 2022 Work Plan is available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.AU10.3>.

Specific responsibilities of the Auditor General are set out in Chapter 3 of the Toronto Municipal Code, including:

- Undertaking performance, cyber, financial and compliance audits and investigations of City divisions, local boards¹, and City-controlled corporations. The Auditor General can also conduct audits, upon request, by the Toronto Police Services Board, the Toronto Public Library Board and the Toronto Board of Health
- Following up on recommendations from previous audit reports
- Reporting to City Council on annual Office activities, including savings achieved

The Auditor General also has an independent oversight role in the investigation of reported wrongdoing. This responsibility is part of her mandate under Section 178 of the *City of Toronto Act, 2006* and her responsibilities for investigating complaints and alleged wrongdoing are set out in Chapter 192 of the Toronto Municipal Code. Her work includes:

- Operating the Fraud and Waste Hotline Program, including the referral of issues to divisional management
- Conducting investigations into allegations of fraud and other wrongdoing, as well as reprisals against employees under the City's disclosure of wrongdoing and reprisal protection rules

How Much Resources (gross 2022 operating budget): \$7.729 million

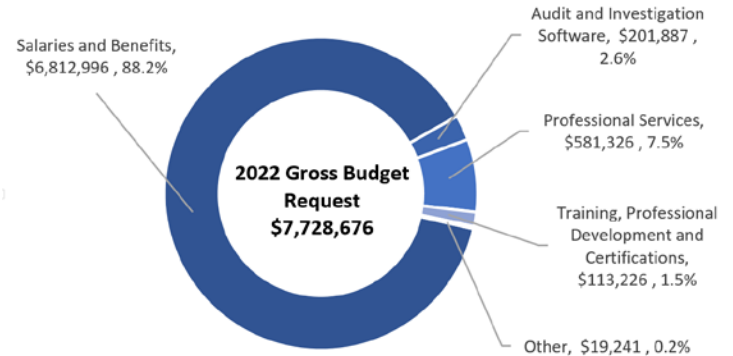
The Office is lean relative to the size and complexity of Toronto's government. The Office budget, as a percentage of the municipal operating budget, is also among the lowest of major municipalities across Canada, as well as those of a number of municipalities in the United States.

¹ In accordance with the City of Toronto Act, 2006, the Auditor General's powers and duties are with respect to the City's local boards (restricted definition).

Budget at a Glance

The Auditor General's 2022 Operating Budget request of \$7.729 million gross and \$7.658 million net will allow the Office to **initiate more audits and investigations** across the City and its agencies and corporations. The Auditor General's recommended 2022 budget for the Office is 0.054 per cent of the City's 2021 Approved Operating Budget.

2022 OPERATING BUDGET			
\$Million	2022	2023	2024
Revenues	\$0.1	\$0.0	\$0.0
Gross Expenditures	\$7.7	\$7.4	\$7.4
Net Expenditures	\$7.7	\$7.4	\$7.4
Approved Positions	44.0	44.0	44.0



Enhancement Requests Included in Auditor General's Budget

The Auditor General's budget includes enhancement requests which reflect funding needed to help the Auditor General in:

1. responding to an **expanded mandate**² and inflow of requests for audits
2. providing valuable independent oversight of critical systems to ensure the City is positioned well to detect, mitigate, and respond to IT and **cybersecurity risks**
3. conducting more **investigations** that are serious, important, and time-sensitive, and
4. auditing the City's **COVID-19 response**.

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.

Restoring funding to pre-pandemic levels	
Emerging risks and expanded mandate	} \$675,000
IT & Cyber projects	
Investigations	
City's Response to COVID-19 - optional	325,000

- \$675,000 to restore Auditor General's budget to pre-pandemic (2020) levels which includes funding for three new positions
- temporary funding of \$325,000 for a COVID-19 continuous improvement audit requested by City management

² By 'expanded mandate', we mean that the mandate was expanded beyond the Auditor General's provincial *City of Toronto Act, 2006* mandate. Additional requests to conduct audit work were made by City Council and the Toronto Police Service (TPS) and Toronto Public Library (TPL) Boards and were included in the Auditor General's Work Plan. These organizations have not been audited by the Auditor General for over 10 years.

Value of the Auditor General's Office

The City is obtaining considerable value from investing resources into the Auditor General's Office. It is our view that the financial and non-financial benefits of the Auditor General's audits and investigations continue to bring value to the City and its agencies and corporations. As highlighted in the Auditor General's Annual Reports, past audit findings and recommendations have resulted in millions of dollars in cost savings, efficiencies, avoided costs, and revenue increases.

City Council has required the Auditor General to report on the value of the Office and track savings to the City of Toronto since 2004. In response to this requirement, the Auditor General submits an Annual Report to City Council, entitled *Demonstrating the Value of the Auditor General's Office*, which summarizes the activities and the quantifiable financial and non-financial benefits of the Office.

City Council reaffirmed the importance of this Annual Report in its March 2019 recommendation:

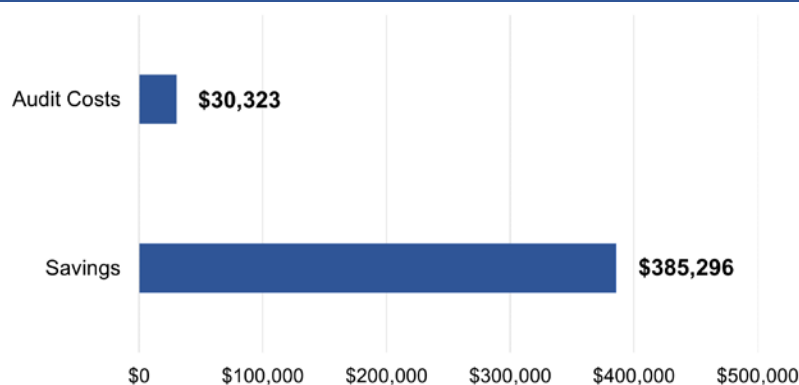
"City Council request the Auditor General to include in future Auditor General's Annual Report, beginning in 2020, savings achieved by City Divisions and Agencies resulting from the implementation of the Auditor General's reports and recommendations." (EX2.5, Recommendation #113)

The Auditor General will present her 2021 Annual Report to Audit Committee in early 2022. The 2020 Annual Report is available at: <https://www.toronto.ca/legdocs/mmis/2021/au/bgrd/backgroundfile-163351.pdf>

Financial Benefits

In conducting our audits, we quantify the potential financial benefits of implementing audit recommendations, whenever possible. These financial benefits, referred to as "savings", can include cost reductions, new or increased revenue streams, or future cost avoidance. These savings are included in the Auditor General's annual reports when the Auditor General's Office has, in consultation with management, verified that they have been realized³. Savings identified through the Auditor General's audits and investigations far outweigh the costs to operate the Office.

Audit costs vs. savings (000s) over five years (ROI)*



*Values are from the [2020 Annual Report - Demonstrating the Value of the Auditor General's Office](#). Updated values will be provided in the 2021 Annual Report, which will be presented to Audit Committee in early 2022.

- Management's implementation of the Auditor General's recommendations results in increased revenues, development of new revenue streams, operating cost reductions, cost avoidance, better use of City resources, and/or the elimination of inefficiencies.
- Over five years, City Council invested \$30.3 million* in the Office (2016-2020). Over the same period, the City has realized \$385.3 million* in savings and revenue increases for the City after implementing Auditor General's recommendations.
- A return of \$12.7* to the City for every \$1 invested in our Office.

³ The approach used to calculate savings is discussed on p.14 of the 2020 Annual Report, "*Demonstrating the Value of the Auditor General's Office*".

Non-financial Benefits

Identifying opportunities to increase cost savings and revenues is only one component of the Auditor General's mandate. Equally important are the non-financial benefits that come from Auditor General's recommendations. These include strengthened internal controls, cyber security controls, improved policies and procedures, better management and use of City resources, increased operational efficiency, better customer service, and increased detection and prevention of serious safety and security issues.

The following are examples of reports the Office completed in 2021 where the benefits were either non-financial in nature or could not be conservatively quantified at the time the reports were issued.

Report	Non-quantifiable benefit
Cybersecurity Incidents at the City and its Agencies and Corporations: Integrated Incident Response Plan is Needed	The importance and urgency of a standard incident management process to enable the City to analyze cybersecurity attacks and develop a coordinated response to any potential cybersecurity attacks
Auditor General's Cybersecurity Review: Toronto Fire Services Critical Systems Review	Strengthening cybersecurity controls at the City
Winter Road Maintenance Program – Phase 2 Analysis: Deploying Resources	Improving the reliability of data entered into the system to help the division measure and monitor contractor performance, analyze operational trends, and inform decision-making
Getting to the Root of the Issues: A Follow-Up to the 2019 Tree Maintenance Services Audit	Strengthening contract management and contract monitoring mechanisms to achieve better outcomes and value for money for tree maintenance services
Toronto Business Improvement Areas (BIAs) Accounts Payable Fraud Investigation	Strengthening internal controls to lessen the vulnerability of fraud at Business Improvement Areas (BIAs) and City organizations
Challenges in Contract Management - Auditor General's Review of the Corporate Real Estate Management Division	Transforming invoice payment, procurement, contract management, and vendor management processes to help ensure the City is receiving value for money

In addition to conducting in-depth audits and investigations, the Auditor General's Fraud & Waste Hotline Program has helped to reduce losses and has 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.

How Well We Are Doing

The Toronto Municipal Code requires that the Auditor General report annually to City Council on the activities of the Office, including the savings achieved. The Auditor General's [2020 Annual Report - Demonstrating the Value of the Auditor General's Office](#) was considered by City Council on April 7, 2021. The Auditor General will present the Office's 2021 Annual Report to Audit Committee in early 2022.

Service	Outcome	2019 Actual	2020 Actual	2021 Target	2021 Projection	Status	2022 Target	2023 Target
By the Numbers								
Deliver impactful performance audits, investigations, and other reports	Reports with finding and recommendations to achieve improved outcomes, financial and non-financial benefits for the City (e.g. savings, better cyber security, etc.) as described in our Annual Reports	14+ reports	7+ reports ¹	10-15 reports	12+ reports	●	10 – 15 reports	10 – 15 reports
	Implemented recommendations that led to financial and non-financial benefits (from inception)	88%	Not reported ¹	90%	81% ²	●	85%	90%
Demonstrate value through quantifiable financial benefits	Positive return on investment (ratio of five-year audit costs to five-year estimated realized savings)	\$11.5	\$12.7	\$10.0	\$10.9+	●	\$10.0	\$10.0
Review and investigate complaints and allegations to the Fraud & Waste Hotline	Prevention, detection, and deterrence of Fraud and Waste by operating a 24/7 hotline. Activities further described in our Fraud and Waste Hotline Annual Reports.	587 complaints 950 allegations	848 complaints 1,300 allegations	N/A	800 complaints 1,100 allegations	●	N/A	N/A
Maintain compliance with Government Auditing Standards	External quality assurance review every three years	N/A	N/A	Pass	Review delayed ³	●	N/A	N/A

Notes:

¹ Some planned and in-progress audits were paused so that City staff could focus on service delivery and essential City services; this delayed completion and issuance of reports during the year.

² While management continues to make progress in implementing recommendations, the Auditor General has not yet verified all recommendations reported as implemented. Management has reported another six per cent of recommendations have been fully implemented or are no longer relevant which could bring the implementation rate to 87 per cent, once management's assertions have been verified. The Auditor General continues to focus on verifying the status of high priority recommendations as resources permit.

³ In July 2021, City Council approved a one-time exemption from Toronto Municipal Code Chapter 3 requirements that the Auditor General undergo an external peer review once every three years, so that the external peer review of the Auditor General's Office originally due in 2021 will be completed by the end of 2022.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.AU9.18>

COVID-19 IMPACT AND RECOVERY

2022 Impact and Recovery

Operating Budget Impact

There are no significant budget impacts expected in 2022 related to COVID-19.

Service Level Changes

There are no anticipated impacts to service levels as a result of COVID-19 during 2022.

EXPERIENCES, CHALLENGES AND PRIORITIES

Our Experience and Success

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.

Prior Auditor General recommendations have contributed to the City by supporting the City in:

- making its IT information systems and critical infrastructure safer
- holding contractors accountable in clearing City streets in the winter
- identifying opportunities to offer more childcare spaces to families who need them, and
- getting more people into housing.

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.

Key Challenges and Risks

The Auditor General's budget request reflects funding needed to help address some of the following:

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

1. Impact of expanding the Auditor General's mandate⁴

Additional requests to conduct audit work were made by City Council and the Toronto Police Service (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, the Auditor General prioritized audits of the Toronto Police Service by allocating 20 per cent of the Office's staff resources to these projects. This meant that projects at the Toronto Public Library as well as some other audits across City divisions, agencies, and corporations in the Auditor General's 2021 Work Plan had to be delayed.

At the same time, 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. TPS has been fully cooperative and our Office completed one project in 2021. However, because of information challenges, our two other performance audits are taking longer than usual and will be completed in 2022.

In 2021, the Auditor General absorbed the cost of an expanded mandate within the base budget and even decreased the 2021 Operating Budget by \$724,159⁵ in recognition of the City's financial constraints during the pandemic. Council's support for restoring funding to 2020 levels is needed to continue with the expanded mandate without unduly delaying other audits across City divisions, agencies, and corporations in the Auditor General's Work Plan.

⁴ By saying 'expanded mandate', we mean that the mandate was expanded beyond the Auditor General's provincial *City of Toronto Act, 2006* mandate, and even though the Toronto Municipal Code allows the Auditor General to conduct audits of these boards upon request, it is only recently that those requests materialized and are being included in the Audit Work Plans.

⁵ This is the difference between the 2020 Approved Adjusted Budget and the Auditor General's 2021 Recommended Operating Budget. The Auditor General returned \$675,000 in temporary funding while the remainder of the decrease was attributable to salary and benefit adjustments.

2. Cybersecurity audits and reviews

COVID-19 has prompted the City and many other organizations to expedite the selection and implementation of new IT systems and digital initiatives. These necessary expedited timelines, combined with increased remote access by employees and the public and more sophisticated cybersecurity threats, increases the IT risk as the City continues to modernize its information technology infrastructure.

Critical cybersecurity system audits by the Auditor General are necessary to provide City Council with independent assurance regarding how the City is dealing with emerging threats. In 2021, approximately 10 per cent of the Office's staff complement and a significant portion of the budgeted contracted professional services costs 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 support for restoring funding to 2020 levels is needed to continue and expand upon the work the Auditor General's Office has been delivering in this critical area and to provide timely information and assurance to City Council.

3. More resources are 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 pandemic⁶. The Fraud & Waste Hotline continues to receive a high volume of allegations.

For the City's size and complexity, the Forensic Unit is lean. The Forensic Unit operates the Fraud & Waste Hotline and conducts major investigations. Conducting investigations can require a significant number of staff resources, time, and in some cases, costs associated with hiring external specialists. 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. City-wide COVID-19 Continuous Improvement Audit

We received 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 the Auditor General complete an independent and objective City-wide audit assessment examining how the City performed during the pandemic, including what went well and lessons learned on how to be better prepared in the future.

⁶ <https://www.acfe.com/covidreport.aspx>

Priority Actions

- 1. Proactively track risks and evaluate new project requests.** In order to effectively deliver her mandate, the Auditor General will continue to respond to key priorities and emerging risk areas in a timely manner. Her 2022 Audit Work Plan considered by City Council on November 9, 2021, has evaluated potential audit projects based on balancing available audit resources and the risks to the City. Any new audit requests will continue to be evaluated. A list of backlogged projects that Office would like to complete over the longer term are included in Attachment 3 to the Auditor General's 2022 Work Plan.
 - 2. Continue to provide valuable independent oversight of critical systems.** While the City's Office of the Chief Information Security Officer leads the City's cybersecurity program, the Auditor General's independent lens through her recent IT and cybersecurity audits have identified a number of areas where improvements are still needed. The Auditor General will continue to provide independent assessments to ensure that processes are in place to address privacy and cybersecurity risks and that critical systems have adequate controls, and to ensure new systems being implemented are cost effective and are achieving their intended outcomes. The Auditor General's 2022 Work Plan includes two audits of cybersecurity within the existing budget. Cybersecurity audits generally require the expertise of external specialists to support our audits. Depending on additional budget funding, the Auditor General will commence two additional audits of critical IT infrastructure and cybersecurity.
 - 3. Respond to growing number of high-risk investigations.** 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. Conducting investigations can require significant staff resources, time, and in some cases, costs associated with hiring external specialists. The Auditor General will continue to operate the Fraud & Waste Hotline and respond to fraud risks as they emerge. Having the flexibility to leverage experts and specialized investigative tools to supplement our investigations have in some cases been helpful in identifying and investigating matters that needed to be referred to the police.
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RECOMMENDATIONS

The Auditor General recommends that:

1. City Council approve the 2022 Operating Budget for the Auditor General's Office of \$7.729 million gross and \$7.658 million net:

	Gross Expenditures (\$000s)	Revenues (\$000s)	Net Expenditures (\$000s)
Total Office Budget	7,728.7	0.071	7,657.7

2. City Council approve the 2022 staff complement for the Auditor General's Office of 44.0 positions.

2022 AUDITOR GENERAL -
RECOMMENDED
OPERATING BUDGET

2022 OPERATING BUDGET OVERVIEW

Table 1: 2022 Operating Budget

(In \$000s)	2020 Actual	2021 Budget	2021 Projection*	2022 Base Budget	2022 New / Enhanced	2022 Budget	Change v. 2021 Projection	
By Service	\$	\$	\$	\$	\$	\$	\$	%
Revenues								
Auditor General's Office				71.0		71.0	71.0	N/A
Total Revenues				71.0		71.0	71.0	N/A
Expenditures								
Auditor General's Office	6,598.0	6,640.6	6,640.6	6,728.7	1,000.0	7,728.7	1,088.1	16.4%
Total Gross Expenditures	6,598.0	6,640.6	6,640.6	6,728.7	1,000.0	7,728.7	1,088.1	16.4%
Net Expenditures	6,598.0	6,640.6	6,640.6	6,657.7	1,000.0	7,657.7	1,017.1	15.3%
Approved Positions**	36.0	41.0	N/A	41.0	3.0	44.0	N/A	N/A

*2021 Projection based on Q3 Variance Report

**Year-over-year comparison based on approved positions

COSTS TO MAINTAIN EXISTING SERVICES

Total 2022 Base Budget expenditures of \$6.729 million gross and \$6.658 million net reflecting an increase of \$0.088 million in spending above 2021 projected year-end actuals (prior to enhancements), predominantly arising from:

- One time transition costs to support City Council's directive made at its meeting on May 5 and 6, 2021, whereby City Council adopted the following:
 1. City Council extend the appointment term of the Auditor General to December 16, 2022.
 2. City Council authorize the Chief People Officer to negotiate a limited employment agreement of up to 3 months to permit a transition period with the successive Auditor General, as determined necessary through the recruitment process.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.MM32.14>

These transition costs will be funded through the Tax Stabilization Reserve.

- Salary and benefit changes related to benefit adjustment and realignment of budget to actual.
- Increase in Cloud-based software costs on contract renewal and economic factor adjustments for non-payroll items.

COSTS TO ENHANCE SERVICES

New and Enhanced Service expenditures of \$1.000 million gross and net:

This includes:

- \$0.675 million to return the Auditor General's Office to its 2020 budget level, funding three permanent positions and contracted specialists. In light of funding issues brought on by the pandemic, the Office worked on delivering a larger mandate within a reduced 2021 budget. While the Auditor General 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.

- an additional \$0.325 million in temporary funding for an audit that stems from a special request by 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 will require additional temporary funding of \$325,000 to conduct this work.

Any changes to the Auditor General's Recommended Budget may impact the 2022 Work Plan that was considered by City Council on November 9, 2021. The Auditor General's Office 2022 Work Plan can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.AU10.3>.

EQUITY IMPACTS OF BUDGET CHANGES

Equity impacts: The Auditor General's 2022 Annual Work Plan was considered by City Council at its meeting on November 9, 2021 and includes audits where there may be equity impacts resulting from findings and recommendations (e.g. Audits of Toronto Police Service, Toronto Public Library, Toronto Community Housing Corporation, Toronto Transit Commission, Shelter, Support and Housing Administration - Emergency Shelter Operations).

2022 OPERATING BUDGET KEY DRIVERS

The Auditor General's recommended 2022 Operating Budget is \$1.088 million gross or 16.4% higher than the 2021 Projected Actuals. Table 2a below summarizes the Operating Budget (including base budget and enhancement requests) by revenue and expenditure category, while Table 2b summarizes New and Enhanced requests only.

Table 2a: 2022 Operating Budget by Revenue / Expenditure Category

Category (In \$000s)	2019 Actual	2020 Actual	2021 Budget	2021 Projection*	2022 Budget	2022 Change from 2021 Projection	
	\$	\$	\$	\$	\$	\$	%
Provincial Subsidies							
Federal Subsidies							
Other Subsidies							
User Fees & Donations							
Licences & Permits Revenue							
Transfers From Capital							
Contribution From Reserves/Reserve Funds					71.0	71.0	
Sundry and Other Revenues							
Inter-Divisional Recoveries							
Total Revenues					71.0	71.0	
Salaries and Benefits	5,537.2	5,853.2	6,115.2	5,939.7	6,813.0	873.3	14.7%
Materials & Supplies	7.5	3.8	7.8	8.9	7.9	(1.0)	(11.2%)
Equipment	46.0	67.7	67.3	43.0	68.7	25.7	59.8%
Service and Rent	681.1	660.2	450.3	649.0	839.1	190.1	29.3%
Contribution To Capital							
Contribution To Reserves/Reserve Funds	10.6	10.6					
Other Expenditures							
Inter-Divisional Charges	22.5	2.5					
Total Gross Expenditures	6,304.9	6,598.0	6,640.6	6,640.6	7,728.7	1,088.1	16.4%
Net Expenditures	6,304.9	6,598.0	6,640.6	6,640.6	7,657.7	1,017.1	15.3%

*2021 Projection based on Q3 Variance Report

Key Base Drivers:**Salaries & Benefits:**

- One time transition costs of \$0.071 million gross and zero net to support City Council's directive made at its meeting on May 5 and 6, 2021, whereby City Council adopted the following:
 1. City Council extend the appointment term of the Auditor General to December 16, 2022.
 2. City Council authorize the Chief People Officer to negotiate a limited employment agreement of up to 3 months to permit a transition period with the successive Auditor General, as determined necessary through the recruitment process.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.MM32.14>

- Salary and benefits changes related to benefit adjustment and realignment of budget to actual.
- In accordance with auditing standards, the Auditor General must determine the appropriate staffing for audits and investigations. This requires the Auditor General to have some flexibility within the Office's approved budget to choose between hiring staff (which are considered "salaries and benefits" expenditures) and contracting external specialists (which are considered "service and rent" expenditures). For example, information technology specialists are used to help assess cyber-security risks and forensic experts are used to support some investigations. For the purposes of the budget, the funds needed to carry out the 2022 Work Plan are allocated to salaries and benefits for permanent and temporary staff; where necessary, the Auditor General may need to re-allocate funding within the Office's approved budget to "service and rent" to instead leverage contracted specialists.

Equipment:

- Changes to equipment spending relate to purchased computer software. Funding for purchased computer software (which are considered "equipment" expenditures) may be reallocated in-year to Cloud-based software costs (which are considered "service and rent" expenditures) and vice versa, as was the case in 2021 depending on the form of software.

Services and Rents:

- For the purposes of the budget, the funds needed to carry out the 2022 Work Plan are allocated to salaries and benefits for permanent and temporary staff. However, on a project-by-project basis (as was the case in 2021), the Auditor General may need to re-allocate funding within the Office's approved budget to "service and rent" to instead leverage contracted specialists.

Revenue:

- One time funding from the Tax Stabilization Reserve to fund 3 months of transition costs.

Table 2b: 2022 New / Enhanced

New / Enhanced Request	2022				2023 Annualized Gross	Equity Impact	Support Climate Initiatives	Supports Key Outcome / Priority Actions
	Revenue	Gross	Net	Positions				
In \$ Thousands								
1 Permanent increase in S&B and Professional Services budget to restore the Auditor General's Office budget to pre-pandemic (2020) levels		675.0	675.0	3.0		None	No	Yes
2 One time increase in S&B and Professional Services budget for a pandemic related audit requested by City Management		325.0	325.0			None	No	Yes
Total New / Enhanced		1,000.0	1,000.0	3.0				

The Auditor General's recommended 2022 Operating Budget includes an enhancement request of \$1 million to fund three permanent positions and provide funding for contracted specialists, where appropriate.

- A permanent enhancement of \$0.675 million and 3.0 permanent positions will restore the Office's budget to pre-pandemic (2020) levels. This will provide the Office with operational resources needed to help address the Office's expanded mandate and inflow of requests for audits, provide valuable independent oversight of critical systems to ensure the City is well-positioned to detect, mitigate, and respond to IT and cybersecurity risks and to conduct investigations on serious, time-sensitive issues.
- A one-time enhancement of \$0.325 million will provide the Office with operational resources needed to undertake a City-wide COVID-19 Continuous Improvement Audit, as requested by City management.

Note:

1. For additional information on 2022 key cost drivers refer to [Appendix 4](#) for the 2022 New and Enhanced Service Priorities.

2023 & 2024 OUTLOOKS**Table 3: 2023 and 2024 Outlooks**

(\$000s)	2021 Projection	2022 Budget	2023 Outlook	2024 Outlook
Revenues		71.0		
Gross Expenditures	6,640.6	7,728.7	7,357.8	7,414.1
Net Expenditures	6,640.6	7,657.7	7,357.8	7,414.1
Approved Positions	N/A	44.0	44.0	44.0

Key drivers

The 2023 Outlook with total gross expenditures of \$7.358 million reflects an anticipated \$0.371 million or 4.8% decrease in gross expenditures below the 2022 Operating Budget; The 2024 Outlook expects an increase of \$0.056 million or 0.8% above 2023 gross expenditures.

These changes arise from the following:

- Reversal of 2022 temporary funding of \$0.325 million gross and net for a pandemic related audit.
- Reversal of 2022 one time transition costs of \$0.071 million gross and zero net.
- Benefit rate adjustments.
- Economic factor adjustments for non-payroll items.

APPENDICES

Appendix 1

COVID-19 Impact and Recovery

N/A

Appendix 2

2022 Balancing Actions

N/A

Appendix 3

Summary of 2022 Service Changes

N/A

Appendix 4

Summary of 2022 New / Enhanced Service Priorities Included in Budget



2022 Operating Budget - Staff Recommended New and Enhanced Services Summary by Service (\$000's)

Form ID		Accountability Offices Program - Auditor General's Office	Adjustments			2023 Plan Net Change	2024 Plan Net Change	
Category	Equity Impact		Gross Expenditure	Revenue	Net			Approved Positions
25805		Refer to AG's OB Report considered by Audit Comm Nov 2/2021						
74	NA	Description: The Auditor General's Office requested \$1.000 million gross and net which includes \$0.675 million gross and net and 3 permanent positions to restore the Auditor General's budget to pre-pandemic (2020) levels and an additional \$0.325 million in temporary funding for a pandemic related audit requested by City Management.						
		Service Level Impact: Refer to Auditor General's Office 2022 Operating Budget which was considered by Audit Committee on Nov 2, 2021.						
		Equity Statement: N/A						
		Service: Auditor General's Office						
		Total Staff Recommended Changes:	1,000.0	0.0	1,000.0	3.00	(325.0)	0.0
		Staff Recommended New/Enhanced Services:	1,000.0	0.0	1,000.0	3.00	(325.0)	0.0
<hr/>								
Summary:								
		Staff Recommended New / Enhanced Services:	1,000.0	0.0	1,000.0	3.00	(325.0)	0.0

Appendix 5

Summary of 2022 New / Enhanced Service Priorities Not Included in Budget

N/A

Appendix 6

2022 Capital Budget; 2023 - 2031 Capital Plan Including Carry Forward Funding

N/A

Appendix 6a

2022 Cash Flow and Future Year Commitments Including Carry Forward Funding

N/A

Appendix 6b

2023 - 2031 Capital Plan

N/A

Appendix 7

Reporting on Major Capital Projects: Status Update

N/A

Appendix 8

Summary of Capital Needs Constraints

(In \$ Millions)

N/A

Appendix 9

2022 User Fee Changes

(Excludes User Fees Adjusted for Inflation)

Table 9a - New User Fees

N/A

Table 9b – Fees Above Inflation

N/A

Table 9c - User Fees for Discontinuation

N/A

Table 9d - User Fees for Technical Adjustments

N/A

Table 9e - User Fees for Transfers

N/A

Table 9f - User Fees for Rationalization

N/A

Appendix 10

Inflows and Outflows to/from Reserves and Reserve Funds

2022 Operating Budget

The 2022 Operating Budget includes a one-time draw of \$0.071 million (for one-time transition costs) from funds available and set aside in the Tax Stabilization Reserve.

2022 – 2031 Capital Budget and Plan

N/A

Appendix 11

Glossary

Approved Position: Permanent or temporary positions that support the delivery of City services and service levels as approved by Council.

Actuals: An actual financial amount paid (or received) for the delivery of City services (these exclude any commitments to be paid in the future).

Complement: Positions that support the delivery of City services and service levels as approved by Council.

New / Enhanced: New and enhanced service changes resulting in an increase in service levels from what was previously approved by Council.

Operating Budget: An Operating Budget is the City's annual plan to provide services to the residents of Toronto; the budget includes all revenues and expenses needed to provided services; an example of an operating cost would be the cost to run the TTC subways.

Recommended Operating: An operating or capital budget recommended by Accountability Officer to City Council for consideration and approval.