

## **Auditor General's 2022 Work Plan Update and Request for Administrative Amendment to City Reserve Fund Accounts**

**Date:** June 24, 2022

**To:** Audit Committee

**From:** Auditor General

**Wards:** All

### **SUMMARY**

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In recent years, the Auditor General has completed a number of comprehensive and complex audits and investigations that covered a broad range of programs and services across the City and its agencies and corporations.

The Auditor General's 2022 Work Plan included 20 in-progress projects and upcoming projects for 2022 and another 16 projects to be initiated in 2022 or 2023, contingent upon availability of audit resources and consideration of emerging risks.

To date, the Auditor General has completed ten projects in 2022. There are currently more than seven projects<sup>1</sup>, including recommendation follow-up of certain high priority recommendations and two information technology projects, as well as several investigations underway.

The purpose of this report is to:

1. provide an update on the **status of the Auditor General's 2022 Work Plan**
2. highlight **staffing challenges** impacting the Work Plan
3. request carryover of operating funding for key audit projects through the creation of a **new discretionary reserve fund for the Auditor General's Office**.

In the first half of 2022, the Auditor General's Office was impacted by unanticipated staff leaves, turnover, and vacancies which has led to staffing and capacity constraints. The lower than expected staff complement is expected to continue through the next several months. Consequently, certain projects in the 2022 Work Plan will likely need to be delayed or deferred.

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<sup>1</sup> One of the audits was not included in the original Work Plan but was subsequently initiated based on a City Council request

## RECOMMENDATIONS

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The Auditor General recommends that:

1. City Council, subject to Budget Committee approval, approve the establishment of a discretionary reserve fund entitled 'Auditor General Reserve Fund' in Appendix B, Schedule 7, Corporate Discretionary Reserve Funds of the City of Toronto Municipal Code Chapter 227, Reserves and Reserve Funds, the purpose of which is to hold any unused funds from City Council's approved Auditor General Operating Budgets such that it can fund planned projects and investigations that have to be delayed, or to honour commitments to contracts with experts and specialists that provide assistance with the Auditor General's work.
2. City Council, subject to Budget Committee approval, authorize the necessary amendments to Chapter 227, Reserves and Reserve Funds, in accordance with Recommendation 1 and direct the City Solicitor to introduce any necessary bills to give effect to the recommendations of this report.
3. City Council, subject to Budget Committee approval, approve a budget adjustment that reallocates any unused approved funding for professional services and temporary funding from the 2022 Auditor General's Approved Operating Budget to the newly established Auditor General Reserve Fund, having no impact on the 2022 Approved Net Operating Budget of the City.

## FINANCIAL IMPACT

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The recommendations in this report have no financial impact beyond the amounts previously approved by City Council through the City budget process. Any unused funding for professional services and temporary funding from the Auditor General's Council-approved operating budget will be added to the Auditor General Reserve Fund. The calendar year-end balance of the Reserve Fund will not exceed up to five per cent of the Auditor General's Approved Operating Budget in that given year. Draws from this reserve will not exceed the remaining balance in the Reserve Fund.

## DECISION HISTORY

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At its meeting on February 17, 2022, City Council approved the Auditor General's 2022 Operating Budget, which included \$325,000 in temporary funding for a pandemic related audit requested by City Management.

[Agenda Item History - 2022.EX30.2 \(toronto.ca\)](#)

The Auditor General presented her 2022 Work Plan to City Council at its meeting on November 9, 2021.

[Agenda Item History - 2021.AU10.3 \(toronto.ca\)](#)

## COMMENTS

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### 2022 Work Plan Update

The Auditor General's 2022 Work Plan included 20 in-progress projects and upcoming projects in 2022. After the Auditor General presented her 2022 Work Plan, City Council requested the Auditor General to amend her 2022 Work Plan to include:

- an assessment of Toronto Hydro cybersecurity or any other operating technology in any City division, agency or corporation
- an audit of contract awards and commitments that are at, or near, the \$500,000 spending authority limits delegated to the City Manager and/or Division Heads,
- a review of the City's Negotiated Request for Proposal process for winter snow maintenance contracts, a review of the terms of those contract against previously provided winter maintenance Auditor General recommendations, and a review of Transportation Services' contract management process, to ensure internal processes are sufficient to hold winter maintenance contractors accountable to the contract terms.

Projects to address the first and third requests were added to the Auditor General's 2022 Work Plan. The second request will be considered when developing the Auditor General's Work Plan in a future year.

To date the Auditor General has completed ten projects in the 2022 Work Plan.

1. Revisiting Legacy Rental Replacement Policies to Align them with the City's Affordable Rental Housing Expectations
2. Toronto Community Housing Corporation – Embedding Accountability into Service Delivery: Lessons Learned from the Audit of Contracted Property Management Services<sup>2</sup>
3. Toronto Water Supervisory Control and Data Acquisition (SCADA) System Security: Results of the Follow-Up of Previous Audit Recommendations<sup>3</sup>
4. Auditor General's Cybersecurity Review: Toronto Fire Services Critical Systems Review Phase 2
5. Auditor General's Cybersecurity Review: Open-Source Internet Data Intelligence Review
6. Toronto Transit Commission Cybersecurity Audit Phase 1: Critical IT Assets and User Access Management

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<sup>2</sup> Project was completed near the end of 2021 and reported to Audit Committee at its first meeting in 2022.

<sup>3</sup> See footnote 2.

7. Part 1 of the Audit of Emergency Shelters: A Focus on Case Management
8. Part 2 of the Audit of Emergency Shelters: Lessons Learned from Hotel Operations
9. Toronto Police Service - Audit of 9-1-1 Public Safety Answering Point Operations
10. Review of Toronto Police Service - Opportunities to Support More Effective Responses to Calls for Service

Key Common Themes: Toronto Police Service – Audit of 9-1-1 Operations & Review of Opportunities to Support More Effective Responses to Calls for Service

There are currently more than seven projects<sup>4</sup> underway including:

1. Toronto Building - Inspections
2. Toronto Building – Plan Review & Customer Service
3. Housing Secretariat - Modular Housing
4. Review of Winter Maintenance Contract Procurement and Management
5. Multiple IT Projects
6. Multiple Investigations by the Forensic Unit
7. Recommendation Follow-up<sup>5</sup>

Given current staffing constraints, the Auditor General anticipates that only another two to three audits will be initiated before the end of the year.

## **Staffing Challenges**

In the current job market, where there is significant competition for in-demand technical and professional roles, the Auditor General's Office is experiencing challenges recruiting and retaining highly qualified professional staff to carry out performance audits, special investigations, and information technology reviews. This appears to be the sentiment across other City Divisions, Agencies, and Corporations, as well as the broader public sector. Although the Auditor General's Office has conducted a number of hiring competitions in recent months, the pace of hiring and onboarding of staff has not kept pace with staff leaves, turnover, and vacancies.

In line with work the City is currently undertaking, the Auditor General is working with the Chief People Officer and City Manager to come up with strategies to be able to support the Office's ability to attract and retain top talent in order to address staff resourcing of the Auditor General's Office.

In the meanwhile, lower than expected staff complement is expected to continue through the next several months. Consequently, certain projects in the 2022 Work Plan will likely need to be delayed or deferred. There also continues to be a growing number of high-risk complaints that have yet to be addressed, and outstanding

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<sup>4</sup> One of the audits was not included in the original Work Plan but was subsequently initiated based on a City Council request.

<sup>5</sup> Focus on certain higher priority recommendations that management has indicated have been fully implemented.

recommendations from previous Auditor General reports that need to be verified for effective implementation.

### **Discretionary Reserve for the Auditor General**

The Auditor General's 2022 Council-approved operating budget included an additional \$325,000 in temporary funding for a City-wide COVID-19 Continuous Improvement audit. In addition to this, the Auditor General's budget included funding to address:

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

In light of ongoing staffing challenges, it is possible that although the COVID-19 audit and audits requiring the assistance of contracted IT or investigative specialists will be initiated in 2022, work will continue into 2023. The Auditor General is requesting that unused operating funds committed for these projects be carried over to future years.

This report seeks Council approval to establish a new discretionary reserve fund in order to fund projects on the Auditor General's Work Plan that are initiated in one year but must continue on into a subsequent year. Contributions to such a Reserve Fund would be from unused operating funds from the Auditor General's Council-approved Operating Budget at the end of each calendar year. The calendar year-end balance of the Reserve Fund will not exceed five per cent of the Auditor General's Operating Budget in that given year (approximately \$380,000 in 2022).

Also worth noting is that a discretionary Reserve Fund will provide the Auditor General flexibility to leverage where appropriate, experts and specialized investigative tools and to respond to emerging risks, high-risk allegations of fraud and wrongdoing, as well as unanticipated City Council requests for audits and investigations. A reserve fund allows the Auditor General to maintain independence and flexibility to undertake such projects at her discretion without returning to City Council to seek additional funding in order to proceed.

Establishing a new reserve fund for Accountability Officers is not new to the City. At its meeting on December 16, 2020<sup>6</sup>, City Council adopted the creation of a discretionary reserve fund for the Office of the Integrity Commissioner to be used to hold funds for investigations or external legal services required by that Office.

The proposed reserve fund will be titled the 'Auditor General Reserve Fund' and its creation will require an amendment to the City of Toronto Municipal Code Chapter 227, Reserves and Reserve Funds ("Chapter 227"). The recommended criteria for the Auditor General Reserve Fund are provided in Appendix 1.

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<sup>6</sup> Agenda Item History - 2020.EX19.7

## **CONTACT**

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## **SIGNATURE**

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Beverly Romeo-Beehler  
Auditor General

## **ATTACHMENTS**

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Appendix 1 - Recommended Criteria Sheet for Auditor General Reserve Fund

## **Appendix 1 - Recommended Criteria Sheet for Auditor General Reserve Fund**

### **1. Location within the Consolidated Reserves/ Reserve Funds Schedule**

Schedule No. 7 – Corporate Discretionary Reserve Funds

### **2. Statement of Purpose**

This account will be used to hold funds for carrying out audits and investigations required by the Auditor General's Office.

### **3. Service Area or Beneficiary Program**

The Auditor General's Office shall have primary responsibility for the account.

### **4. Initial Contribution**

An initial contribution will be made once the 2022 Auditor General's Actual Expenditures have been finalized. The difference between the actual expenditures and the approved budget will form the initial contribution into the Auditor General Reserve Fund.

### **5. Contribution Policy**

Unused funds for professional services and temporary Council-approved funding for projects in the Auditor General's Work Plan shall be added to the Reserve Fund. The calendar year-end balance of the Reserve Fund will not exceed up to five per cent of the Auditor General's Approved Operating Budget in that given year.

### **6. Withdrawal Policy**

Funds will be withdrawn as part of the normal Operating Budget process.

### **7. Review Cycle**

The account will be reviewed a minimum of once every five years.