

Results of 2024 External Quality Control Review

Date: September 30, 2024

To: Audit Committee

From: Auditor General

Wards: All

SUMMARY

This report provides the results of the External Quality Control Review performed by the Association of Local Government Auditors (ALGA) for the period January 1, 2021 through December 31, 2023. The Auditor General's Office has received the highest rating, an unqualified "pass" opinion, on its peer review – the seventh time the Office has received this rating.

The peer review team found that the *“City of Toronto Auditor General's control system was adequately designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards and applicable legal and regulatory requirements for audits during the period from January 1, 2021, through December 31, 2023.”* It is also worth noting that the Auditor General's Office did not receive a management letter with suggestions for improvement from the peer review team during this review.

Compliance with Government Auditing Standards is an important component of audit quality and is critical in maintaining credibility with City Council, management and taxpayers.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council receive this report for information.

FINANCIAL IMPACT

The recommendation in this report has no financial impact.

DECISION HISTORY

An external peer review answers the question, “Who audits the auditor?”

The Auditor General’s Office follows Generally Accepted Government Auditing Standards which require that audit organizations conducting performance audits in accordance with Generally Accepted Government Auditing Standards must have an external peer review performed by reviewers independent of the audit organization being reviewed at least once every 3 years.

In February 2006, the City of Toronto Auditor General’s Office was the first Canadian local government audit organization to have a review of this nature. Since then, six additional external peer reviews have been conducted. The Auditor General’s Office received an unqualified “pass” opinion in each of these reviews. An unqualified opinion is the highest class of opinion report obtainable and indicates that audit work conducted by the Auditor General’s Office is performed in accordance with Generally Accepted Government Auditing Standards.

The results of all six previous external peer reviews are posted on the City website at:

- 2006: <https://www.toronto.ca/legdocs/2006/agendas/committees/au/au060615/it001.pdf>
- 2009: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.AU11.3>
- 2012: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.AU9.5>
- 2015: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.AU4.9>
- 2018: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.AU1.11>
- 2022: <https://secure.toronto.ca/council/agenda-item.do?item=2023.AU1.6>

COMMENTS

The Auditor General’s Office is subject to a significant amount of external oversight as outlined in the report dated March 20, 2009, “A Policy Framework for Toronto’s Accountability Offices” approved by City Council. Oversight of the Auditor General’s Office and the other Accountability Offices includes:

- Annual reporting to City Council
- The annual compliance audit

<https://www.toronto.ca/legdocs/mmis/2009/ex/bgrd/backgroundfile-19953.pdf>

In addition, Chapter 3 of the Toronto Municipal Code states that the “*Auditor General shall undergo an external peer review once every three years to ensure compliance with government auditing standards*” and that “*the results of the external peer review shall be reported to Council through the Audit Committee*”.

https://www.toronto.ca/legdocs/municode/1184_003.pdf

The external peer review of the Auditor General's Office is performed by independent reviewers selected by a committee of the Association of Local Government Auditors (ALGA). ALGA is a North American organization of local government auditors and includes a number of organizations that have undergone an external peer review.

Compliance with Generally Accepted Government Auditing Standards is an important component of audit quality. Adherence with these Standards, including requirements for external peer reviews, benefits both the Office and the City by:

- Strengthening audit quality, consistency, uniformity and reliability
- Contributing to professional development
- Enhancing professional credibility
- Strengthening public/management relations

Nature of External Peer Review

The external peer review process looks at the Auditor General's internal quality control system. The independent reviewers' procedures include:

- Reviewing the Office's written policies and procedures
- Reviewing internal monitoring procedures
- Reviewing a sample of audit engagements and working papers
- Reviewing documents related to independence, training, and development of auditing staff
- Reviewing documents related to staff experience, education, and the hiring process
- Interviewing auditing staff and management to assess their understanding of, and compliance with, relevant quality control policies and procedures.

Reporting External Peer Review Results

Upon completion of their review of the Auditor General's internal quality control system, including a cross section of work performed by the Auditor General's Office, the peer reviewers provide a written opinion letter to the Auditor General communicating the overall results of the review.

The peer review team found that the *“City of Toronto Auditor General's control system was adequately designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards and applicable legal and regulatory requirements for audits during the period from January 1, 2021, through December 31, 2023.”*

The Auditor General's Office has received the highest rating, an unqualified "pass" opinion, on its peer review – the seventh time the Office has received this rating.

The opinion letter, together with the Auditor General's written response, is included as Attachment 1 to this report.

During the review, the peer review team also provided verbal comments to recognize areas where the Auditor General's Office excels, including:

- acknowledging how our system and working paper files are set up very well to mirror the standards, which supports our staff in performing high quality audits in accordance with Government Auditing Standards
- recognizing that we empower our staff through a good mix of both technical and soft skills training, as well as through our mentorship program
- providing feedback from their staff interviews that our staff enjoy their work and making a difference for the City, which the peer reviewers noted was a testament to the leadership of our Office.

It is also worth noting that the Auditor General's Office did not receive a management letter with suggestions for improvement from the peer review team during this review. Nonetheless, we will continue enhancing our processes where and when opportunities arise to ensure the highest quality in our audits.

CONTACT

Ina Chan, Deputy Auditor General, Auditor General's Office
Tel: 416-392-8472; Email: Ina.Chan@toronto.ca

SIGNATURE

Tara Anderson
Auditor General

ATTACHMENTS

Attachment 1: Association of Local Government Auditors' Opinion Letter dated September 26, 2024 and the Auditor General's Response dated September 26, 2024