

2023 Budget Summary

Office of the Auditor General

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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 assists City Council by providing independent assessments 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 evaluating the City’s policies and programs, ensuring administrative and controllership policies, practices, and procedures are in place to implement Council’s decisions, ensuring accountability and transparency of City operations, and maintaining the City’s financial integrity.

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

In addition to bringing critical information to City Council, the work of the Auditor General’s Office has been a catalyst for change across the City. The Auditor General’s Office continues to demonstrate the value of the work it performs through the net positive return on investment, quantifiable and non-quantifiable benefits to the City, as reported by the Auditor General in the Office’s Annual Reports.

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: The Auditor General's legislated responsibilities, powers and duties are established in Section 178 of the *City of Toronto Act, 2006*. Chapter 3 of the Toronto Municipal Code sets out the Auditor General's specific responsibilities including:

- Undertaking performance, cyber, financial and compliance audits of City divisions, local boards¹, and City-controlled corporations. The Auditor General can also conduct audits, upon request from 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 undertakes complex audits and reviews that cover a broad range of programs and services across the City and its agencies and corporations, such as cybersecurity, homelessness, affordable and social housing, the management of contracted services delivered through vendors, and operations of the Toronto Police Service (TPS), Toronto Transit Commission (TTC), and Toronto Community Housing Corporation (TCHC).

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 specific 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

In normal circumstances, the Auditor General's Operating Budget and Annual Work Plan would be considered by the Audit Committee at the same meeting, prior to the Auditor General's Operating Budget being submitted to the Budget Committee. Due to the 2022 municipal election, this was not possible. Consequently, the Auditor General's Office 2023 Operating Budget was submitted for consideration by the Budget Committee before the Auditor General's Office 2023 Work Plan was submitted for consideration by the Audit Committee and City Council.

The Auditor General's 2023 Work Plan will be considered by City Council in early 2023. The Auditor General's 2023 Work Plan includes seven in-progress audit projects as well as a number of ongoing investigations and follow-up reviews of past recommendations. It is expected that at least three new audit projects and additional investigations will begin in 2023. The Auditor General's 2023 Work Plan includes projects to address:

- Cyber security of critical infrastructure / high-risk systems including TTC and Toronto Hydro
- Major information technology systems implementation (Enterprise Work Management System)
- Modular housing
- 911 operations (fire / paramedic)
- TTC streetcar operations
- Allegations of fraud or other wrongdoing

How Much Resources (gross 2023 Operating Budget): \$7.350 million

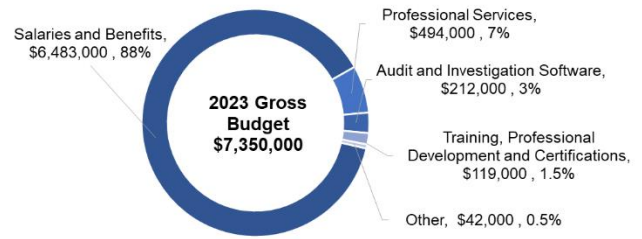
The Office is lean relative to the size and complexity of Toronto's government. The Office budget, as a percentage of the municipal operating budget, is also among the lowest of major municipalities across Canada, as well as those of a number of municipalities in the United States.

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

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

2023 OPERATING BUDGET			
\$Million	2023	2024	2025
Revenues	\$0.0	\$0.0	\$0.0
Gross Expenditures	\$7.3	\$7.7	\$7.7
Net Expenditures	\$7.3	\$7.7	\$7.7
Approved Positions	44.0	44.0	44.0



1. 2023 Operating Budget is consistent with Auditor General's 2022 Operating Budget

In accordance with the Financial Planning Division's budgeting guidelines, cost-of-living and other non-union salary adjustments were not included in the Auditor General's 2022 Operating Budget. Actual cost-of-living and other salary adjustments approved in 2022 were absorbed by the Auditor General's Office on a one-time basis using funding available from lower-than-anticipated spending on Salary and Benefits due to staff vacancies.

The Auditor General's recommended 2023 Base Operating Budget reflects pressures from the 2022 salary increases. However, (as per the Financial Planning Division's 2023 operating budget guidelines), the Auditor General's 2023 Operating Budget does not reflect further pressures arising from any cost-of-living or performance-based salary adjustments to be applied in 2023. For non-salary expenditures, the Auditor General's recommended 2023 Operating Budget reflects pressures stemming from actual costs for contracts renewed in 2022.

2. Request for Discretionary Reserve Fund

In July 2022, City Council referred the [Auditor General's 2022 Work Plan Update and Request for Administrative Amendment to City Reserve Fund Accounts](#) to the Budget Committee for consideration during the 2023 Budget process. In light of the impacts of Bill 3 Strong Mayors, Building Homes Act, 2022 on the City's budget process, and the change the Mayor made to Budget Committee's mandate, the report had been referred to the Executive Committee for consideration at its meeting on January 31, 2023. In that report, the Auditor General highlighted that in light of ongoing staffing challenges, it was possible that planned audits and other projects requiring the assistance of contracted IT or investigative specialists would have been initiated in 2022 but will continue into 2023. The Auditor General requested that a new discretionary reserve fund be established in order to fund projects on the Auditor General's Work Plan that were initiated in one year but continue on into a subsequent year.

It is not the Auditor General's intent to accumulate a significant balance of uncommitted funds in a discretionary reserve. As noted in Appendix 1 to the [Auditor General's 2022 Work Plan Update and Request for Administrative Amendment to City Reserve Fund Accounts](#), contributions to the reserve fund would be limited to unused funds specifically budgeted for professional services (i.e. specialists supporting audits and investigations) and unused temporary Council-approved funding for specific projects in the Auditor General's Work Plan. Moreover, 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 (or approximately \$0.383 million based on the 2022 approved Operating Budget). Draws from this reserve would be used to pay for staff and contracted specialists to complete projects in the Auditor General's Work Plan.

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:

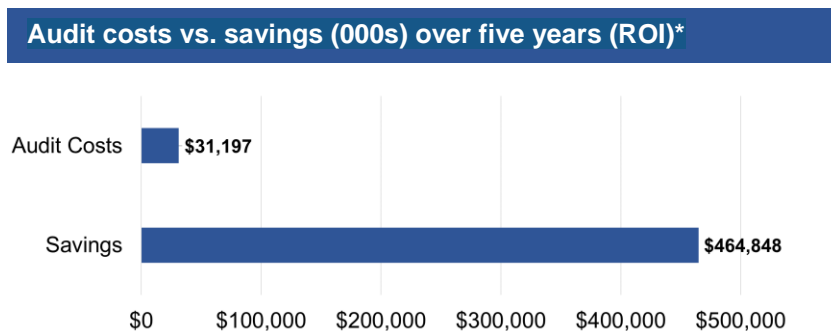
"City Council request the Auditor General to include in future Auditor General's Annual Report, beginning in 2020, savings achieved by City Divisions and Agencies resulting from the implementation of the Auditor General's reports and recommendations." (EX2.5, Recommendation #113)

The Auditor General will present her 2022 Annual Report to the Audit Committee on February 13, 2023. The Auditor General's 2021 Annual Report demonstrating the value of the Auditor General's Office is available at:

<https://www.toronto.ca/legdocs/mmis/2022/au/bgrd/backgroundfile-199287.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 realized². Savings identified through the Auditor General's audits and investigations far outweigh the costs to operate the Office.



*Values are from the [2021 Annual Report](#). Updated values will be provided in the 2022 Annual Report, which will be presented to Audit Committee in early 2023.

- 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 \$31.2 million* in the Office (2017-2021). Over the same period, the City has realized \$464.8 million* in savings and revenue increases for the City after implementing Auditor General's recommendations
- A return of \$14.90* to the City for every \$1 invested in our Office

² The approach used to calculate savings is discussed on p.25 of the 2021 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 2022 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
<i>Part 1 of the Audit of Emergency Shelters: A Focus on Case Management</i>	Improving how City (and agency) staff guide shelter clients more efficiently and effectively towards stable housing.
<i>Part 2 of the Audit of Emergency Shelters: Lessons Learned from Hotel Operations</i>	Strengthening contract management and contract monitoring mechanisms to achieve better value for money, provide more emergency shelter spaces or re-direct more funds towards permanent housing solutions for individuals and families experiencing homelessness.
<i>Toronto Police Service – Audit of 9-1-1 Public Safety Answering Point Operations</i>	Improving the timeliness and effectiveness of call answering for 9-1-1 emergency calls so that people receive the appropriate emergency response as soon as possible, as a person's life or safety can often be at risk.
<i>Review of Toronto Police Service – Opportunities to Support More Effective Responses to Calls for Service</i>	Identifying the importance and need of a whole-of-government approach, investment, and strategies in exploring police and non-police alternative responses to calls for service, improving response times for emergency calls, and leveraging technology and automation to improve efficiency.
<i>Cybersecurity Review: Toronto Fire Services Critical Systems Review Phase 2</i> <i>Toronto Transit Commission Cybersecurity Audit Phase 1: Critical IT Assets and User Access Management</i> <i>Cybersecurity Review: Open-Source Internet Data Intelligence Review</i>	Strengthening cybersecurity controls at the City and its agencies and corporations.
<i>Toronto Community Housing Corporation - Embedding Accountability into Service Delivery: Lessons Learned from the Audit of Contracted Property Management Services</i>	Strengthening contract management and contract monitoring mechanisms to achieve better outcomes and value for money for service delivery across TCHC's entire portfolio.
<i>Revisiting Legacy Rental Replacement Policies to Align them with the City's Affordable Rental Housing Expectations</i>	Improving alignment of City agreements and processes with the City's priorities for making available affordable rental replacement housing accessible to households based on financial need.

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 2021 Annual Report - Demonstrating the Value of the Auditor General's Office was considered by City Council on April 6, 2022. The Auditor General will present the Office's 2022 Annual Report to Audit Committee in early 2023.

Service	Outcome	2020 Actual	2021 Actual	2022 Target	2022 Projection	Status	2023 Target	2024 Target
By the Numbers								
Deliver impactful performance audits, investigations, and other reports	Reports with findings 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	7+ reports ³	14+ reports	10 – 15 reports	9+ reports	●	10 – 15 reports	10 – 15 reports
	Implemented recommendations that led to financial and non-financial benefits (from inception)	Not reported ³	81% ⁴	90%	79% ⁴	●	85%	90%
Demonstrate value through quantifiable financial benefits	Positive return on investment (ratio of five-year audit costs to five-year estimated realized savings)	\$12.7	\$14.9	\$10.0	\$11.5	●	\$10.0	\$10.0
Review and investigate complaints and allegations to the Fraud & Waste Hotline	Prevention, detection, and deterrence of fraud, waste, and other wrongdoing by operating a 24/7 hotline. Activities and outcomes are further described in our Fraud and Waste Hotline annual reports.	848 complaints 1,350 allegations	820 complaints 1,200 allegations	N/A	1,070 complaints 1,300 allegations	●	N/A	N/A
Maintain compliance with Government Auditing Standards	Successfully pass the external quality assurance review every three years	N/A	Review delayed ⁵	Pass	Pass	●	N/A	Pass

³ Some planned and in-progress audits were paused during the first year of the COVID-19 pandemic so that City staff could focus on service delivery and essential City services; this delayed completion and issuance of reports during the year.

⁴ While management continues to make progress towards implementing recommendations, the Auditor General has not yet verified all recommendations reported as implemented. Management has reported by 2022 another 10 per cent of recommendations have been fully implemented or are no longer relevant (six per cent by 2021) which could bring the implementation rate to 89 per cent by 2022 (87 per cent by 2021), once management's assertions have been verified. The Auditor General continues to focus on verifying the status of high-priority recommendations as resources permit.

⁵ 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 would be completed by the end of 2022. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.AU9.18>

COVID-19 IMPACT AND RECOVERY

2023 Impact and Recovery

Operating Budget Impact

There are no significant budget impacts expected in 2023 related to COVID-19.

Service Level Changes

There are no anticipated impacts to service levels as a result of COVID-19 in 2023.

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.

The Auditor General's Office has continuously delivered impactful audits, reviews, and investigations with recommendations to the City and its agencies and corporations aimed at:

- making IT information systems and critical infrastructure safer
- holding contractors accountable for charging for services according to contract terms
- finding ways to improve emergency response times and 9-1-1 call answering times
- identifying opportunities to offer more shelter spaces to people 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

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.

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

As noted in the [Auditor General's 2022 Work Plan Update and Request for Administrative Amendment to City Reserve Fund Accounts](#) considered by City Council in July 2022, 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 a similar issue experienced 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 hiring and onboarding of new staff has not kept pace with staff leaves, turnover, and vacancies.

Consequently, certain projects in the 2022 Work Plan were delayed or deferred to 2023. There also continues to be a growing number of high-risk complaints that have yet to be addressed, and outstanding recommendations from previous Auditor General reports that need to be verified for effective implementation.

Nevertheless, the Auditor General and her staff continue to work diligently to deliver on the following:

- completing **high-priority audit projects** on the Auditor General's Work Plan that yield **both quantifiable and non-quantifiable benefits** to how the City delivers its services
- 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**

The Auditor General's 2023 Operating Budget request reflects funding needed to continue completing audits of priority areas and emerging risks, as well as ensuring investigations of high-risk complaints are addressed in a timely manner.

Priority Actions

- 1. Continue to deliver high-priority audit projects and conduct high-risk investigations.** 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. In line with work the City is currently undertaking, the Auditor General will continue to work with the Chief People Officer and City Manager to come up with strategies to support the Office's ability to attract and retain top talent in order to address staff resourcing levels, turnover, and vacancies, so that the Office can continue to complete high-priority audit projects, respond quickly to emerging risks, address the backlog of complaints and allegations to the Fraud & Waste Hotline, and carry out high-risk investigations.
 - 2. Flexibility to engage specialists and invest in systems needed to support audits and investigations.** 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 and contracting external specialists. Flexibility within the Auditor General's approved budget is needed to be able to leverage the use of experts and contracted professionals who provide specialized skills to supplement the existing staff complement, as well as address hard-to-fill vacancies. The Auditor General will also continue to maintain investments in systems, software, and specialized investigative tools that allow the Office to effectively and efficiently deliver its mandate.
 - 3. Funding projects that span multiple years.** Year after year, the Auditor General has reported that the Office continues to be lean relative to the size and complexity of Toronto's Government. The Auditor General's budget, relative to the size of the City's budget, remains among the lowest of major municipalities across Canada, as well as those of a number of municipalities in the United States. In July 2022, the Auditor General requested that a new discretionary reserve fund be established in order to fund projects on the Auditor General's Work Plan that were initiated in one year but continue on into a subsequent year. In particular, the Auditor General highlighted that certain planned audits and other projects requiring the assistance of contracted IT or investigative specialists are initiated in one year but continue into the next. A reserve fund will allow the Auditor General to contract with experts and specialists that provide assistance with the Auditor General's work for projects that span into the following year(s) and will also allow the Auditor General to maintain independence and flexibility to undertake investigations and projects to address emerging risks at her discretion, without returning to City Council to seek additional funding in order to proceed or continue. City Council referred the [Auditor General's 2022 Work Plan Update and Request for Administrative Amendment to City Reserve Fund Accounts](#) to the Budget Committee for consideration during the 2023 Budget process. In light of the impacts of Bill 3 Strong Mayors, Building Homes Act, 2022 on the City's budget process, and the change the Mayor made to Budget Committee's mandate, the report had been referred to the Executive Committee for consideration at its meeting on January 31, 2023. The Executive Committee referred the Item to the Chief Financial Officer and Treasurer for consideration and report back to the Executive Committee prior to the 2024 budget process.
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RECOMMENDATIONS

City Council adopted the following recommendations:

1. The 2023 Operating Budget for the Auditor General's Office of \$7.350 million gross, and \$7.350 million net for the following services:

Service:

	Gross Expenditures (\$000s)	Revenue (\$000s)	Net Expenditures (\$000s)
Auditor General's Office Budget	7,349.9	\$0.0	7,349.9

2. The 2023 staff complement for the Auditor General's Office of 44.0 positions.

2023 OPERATING BUDGET

2023 OPERATING BUDGET OVERVIEW

Table 1: 2023 Operating Budget by Service

(In \$000s)	2021 Actual	2022 Budget	2022 Projection*	2023 Base Budget	2023 New / Enhanced	2023 Budget	Change v. 2022 Projection	
By Service	\$	\$	\$	\$	\$	\$	\$	%
Revenues								
Auditor General's Office		71.0						N/A
Total Revenues		71.0						N/A
Expenditures								
Auditor General's Office	6,113.4	7,728.7	6,957.7	7,349.9		7,349.9	392.2	5.6%
Total Gross Expenditures	6,113.4	7,728.7	6,957.7	7,349.9		7,349.9	392.2	5.6%
Net Expenditures (including COVID-19)	6,113.4	7,657.7	6,957.7	7,349.9		7,349.9	392.2	5.6%
Required COVID-19 Support								N/A
Net Budget (excluding COVID-19 supports)	6,113.4	7,657.7	6,957.7	7,349.9		7,349.9	392.2	5.6%
Approved Positions**	41.0	44.0	N/A	44.0	0.0	44.0	N/A	N/A

* 2022 Projection based on 9 Month Variance

**YoY comparison based on approved positions

KEY COST DRIVERS – FUNDING PRIORITIES

The 2023 Base Budget of \$7.350 million gross and net expenditures reflects an increase of \$0.392 million in spending above 2022 projected year-end actuals.

However, the 2023 Budget of \$7.350 million (net) represents a decrease of \$0.308 million (4.0%) from the 2022 Council-approved Budget of \$7.658 million (net) resulting from the reversal of \$0.325 million in unspent temporary funding in 2023 and anticipated one-time staff vacancy savings of \$0.270 million in Q1 2023 resulting from permanent positions that remain unfilled at the end of 2022 due to the challenges and delays in hiring new staff which reflects the current market situation. These budget decreases are offset by budget pressures predominantly arising from an:

- Increase in salaries and benefits budget to reflect Council-approved salary adjustments made in 2022, without an offsetting adjustment to the Office's budget (where the funding adjustment was only reflected in the City's corporate accounts) and to reflect the full complement required to deliver the proposed 2023 Work Plan.
- Increase to equipment budget to reflect anticipated spending for purchased computer software and cloud computing costs.

At Q3 2022, the Auditor General's Office was projecting a year-end budget surplus of \$0.700 million due to:

- Underspensing of \$0.325 million in temporary funding. In 2021, the City Manager, the Fire Chief & General Manager of Emergency Management & COVID-19 Incident Commander, and the Medical Officer of Health requested the Auditor General to perform an audit of how the City performed during the COVID-19 pandemic, with a goal of also identifying how to be better prepared in the future. City Council approved \$0.325 million in temporary funding for the Auditor General to carry out this City-wide COVID-19 Continuous Improvement audit in 2022. However, in June 2022, the Auditor General reported to City Council that her Office was impacted by unanticipated staff leaves, turnover, and vacancies and that as a consequence, certain projects in the 2022 Work Plan would likely need to be delayed or deferred. In light of the ongoing staffing challenges and other priority audits and investigations underway, the Auditor General did not initiate the City-wide COVID-19 Continuous Improvement audit during 2022. Correspondingly, the associated \$0.325 million in temporary funding approved by City Council in 2022 went unspent and the Auditor General has not included a corresponding request to carry forward this \$0.325 million in temporary funding in the 2023 Operating Budget.
- Staff turnover and vacancies. Challenges recruiting and retaining highly qualified professional staff has resulted in underspending on Salary & Benefits and has led to certain projects in the 2022 Work Plan being delayed or deferred. The underspending is partially offset by \$0.260 million in expenditures for cost-of-living and other salary adjustments, without an offsetting adjustment to the Office's budget in 2022. It is anticipated that the Auditor General's Office will be able to return to full staff complement in 2023.

EQUITY IMPACTS OF BUDGET CHANGES

The Auditor General's Office considers equity impacts when conducting audits included in the Auditor General's Annual Work Plan. Recent audits included in the Auditor General's Work Plan included findings and recommendations where there may be direct or indirect equity impacts (e.g. audits of Emergency Shelters, Toronto Police Service, and Toronto Community Housing Corporation).

2023 OPERATING BUDGET KEY DRIVERS

The 2023 Budget of \$7.350 million reflects \$0.392 million in spending above 2022 projected year-end actual expenditures. At Q3 2022, the Auditor General's Office was projecting a budget surplus of \$0.700 million at year-end due to staff turnover and vacancies arising from challenges recruiting and retaining highly qualified professional staff to carry out performance audits, special investigations, and information technology reviews. It is anticipated that the Auditor General's Office will be able to return to full staff complement by the end of Q1 2023.

The 2023 Budget of \$7.350 million (net) represents a decrease of \$0.308 million (4.0%) from the 2022 Council-approved Budget of \$7.658 million (net). Table 2 below summarizes the key cost drivers for the 2023 Budget.

Table 2: 2023 Operating Budget by Revenue / Expenditure Category

Category (In \$000s)	2020 Actual	2021 Actual	2022 Budget	2022 Projection*	2023 Budget	2023 Change from 2022 Projection	
	\$	\$	\$	\$	\$	\$	%
Provincial Subsidies							
Federal Subsidies							
Other Subsidies							
User Fees & Donations							
Licences & Permits Revenue							
Transfers From Capital							
Contribution From Reserves/Reserve Funds			71.0				
Sundry and Other Revenues							
Inter-Divisional Recoveries							
Total Revenues			71.0				
Salaries and Benefits	5,853.2	5,506.8	6,813.0	6,042.0	6,483.1	441.1	7.3%
Materials & Supplies	3.8	0.6	7.9	8.9	8.4	(0.5)	(5.6%)
Equipment	67.7	30.1	68.7	29.7	70.6	40.9	137.7%
Service and Rent	660.2	575.9	839.1	877.1	787.8	(89.3)	(10.2%)
Contribution To Capital							
Contribution To Reserves/Reserve Funds	10.6						
Other Expenditures							
Inter-Divisional Charges	2.5						
Total Gross Expenditures	6,598.0	6,113.4	7,728.7	6,957.7	7,349.9	392.2	5.6%
Net Expenditures	6,598.0	6,113.4	7,657.7	6,957.7	7,349.9	392.2	5.6%

*Projection based on 9 Month Variance

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

The \$0.441 million change in the 2023 Operating Budget compared to the 2022 projected actual expenditures reflects the anticipated return to full complement, offset by anticipated one-time staff vacancy savings of \$0.270 million in Q1 2023 resulting from permanent positions that remain unfilled at the end of 2022. These positions are unfilled due to the challenges in the current job market situation. Actual spending on Salaries & Benefits was significantly lower in 2022 as a result of staff vacancies due to challenges in recruiting and retaining highly qualified professional staff to carry out performance audits, special investigations, and information technology reviews. The Office continues to take action to proactively retain existing staff and to hire qualified professionals. It is anticipated that these positions will be filled by the end of Q1 2023.

There is a \$0.330 million decrease in the Auditor General-recommended 2023 Salaries & Benefits budget compared to the 2022 Council-approved budget. This is due to a reversal of \$0.228 million related to unspent temporary funding approved in 2022, reversal of \$0.071 million related to Auditor General transition costs, and one-time Q1 2023 staff vacancy savings of \$0.270 million, offset by increases due to cost-of-living and other non-union salary adjustments that were not included in the 2022 Operating Budget. Actual cost-of-living and other salary adjustments approved in 2022 were absorbed by the Auditor General's Office on a one-time basis using funding available from lower than anticipated spending on Salary and Benefits due to staff vacancies in 2022.

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 2023 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:

The increase in Equipment of \$0.041 million compared to 2022 projected actual expenditures reflects anticipated requirements for purchased computer software. Funding for purchased computer software (which are considered "Equipment" expenditures) may be reallocated to cloud-based software costs (which are considered "Service and Rent" expenditures) and vice versa, as was the case in 2022 depending on the form of software.

Service and Rent:

The decrease in Service and Rent of \$0.089 million compared to 2022 projected actual expenditures is primarily due to a reversal of \$0.098 million related to unspent temporary funding approved in 2022 for contracted professional services offset by slightly increased cloud-based software costs.

Offsets and Efficiencies:

As indicated above, a one-time savings of \$0.270 million is reflected in Salaries & Benefits resulting from permanent positions that remain unfilled at the end of 2022. These positions are unfilled due to the challenges and delays in hiring new staff which reflects the current market situation. It is anticipated that these positions will be filled by the end of Q1 2023.

Note:

1. For additional information on 2023 key cost drivers please refer to [Appendix 2](#) for a summary of Affordability Measures.

2024 & 2025 OUTLOOKS

Table 3: 2024 and 2025 Outlooks

(\$000s)	2023 Budget	2024 Incremental Outlook	2025 Incremental Outlook
Revenues			
Revenue Changes			
Total Revenues			
Gross Expenditures			
Salaries and Benefits		334.2	(8.0)
Inflationary Impacts		20.8	30.6
Services and Rents			
Total Gross Expenditures	7,349.9	355.0	22.6
Net Expenditures	7,349.9	355.0	22.6
Approved Positions	44.0		

Key drivers

The 2024 Outlook with total gross expenditures of \$7.705 million reflects an anticipated \$0.355 million or 4.8% increase in gross expenditures above the 2023 Operating Budget. The 2025 Outlooks expects a further increase of \$0.023 million or 0.3% above 2024 gross expenditures.

These changes arise from the following:

- Salaries and benefits adjustments related to reversal in 2024 of the one-time staff vacancy savings in 2023, two additional working days in 2024 and one additional working day in 2025 compared to 2023.
- Economic factor adjustments for non-payroll items.

APPENDICES

Appendix 1

COVID-19 Impact and Recovery

N/A

Appendix 2

2023 Affordability Measures

(\$000s)									
Recommendation	Savings Type	Equity Impact	2023				2024 (Incremental)		
			Revenue	Gross	Net	Positions	Gross	Net	Positions
Q1 2023 Staff Vacancy Savings	Vacancy Savings	None		(270.0)			270.0		
Total Affordability Measures				(270.0)		-	270.0		-

Appendix 3

Summary of 2023 Service Changes

N/A

Appendix 4

Summary of 2023 New / Enhanced Service Priorities Included in Budget

N/A

Appendix 5

Summary of 2023 New / Enhanced Service Priorities Not Included in Budget

N/A

Appendix 6

2023 Capital Budget; 2024 - 2032 Capital Plan Including Carry Forward Funding

N/A

Appendix 6a

2023 Cash Flow and Future Year Commitments Including Carry Forward Funding

N/A

Appendix 6b

2024 - 2032 Capital Plan

N/A

Appendix 7

Reporting on Major Capital Projects: Status Update

N/A

Appendix 8

Capacity to Spend Review

N/A

Appendix 9

Summary of Capital Needs Constraints

N/A

Appendix 10

Inflows and Outflows to/from Reserves and Reserve Funds

2023 Operating Budget

N/A

2023 – 2032 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.

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.

Tax Supported Budget: Budget funded by property taxes.