

2024 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 conducting performance audits; independent assessments and reviews of cybersecurity, financial, compliance and operational risks; and investigations of complaints received by the Fraud & Waste Hotline. By examining operations of City divisions and certain City agencies and corporations with an independent and objective lens, the Auditor General’s work has been a catalyst for change that has 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 Auditor General’s findings and recommendations help to improve the efficiency and effectiveness of the City’s programs, systems, and processes, and lead to better outcomes on important issues that affect Torontonians’ daily lives. 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*. Under Section 178(1), 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 achieving 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 can also conduct audits upon request from the Toronto Police Services Board, the Toronto Public Library Board, and the Toronto Board of Health. The Auditor General also follows up on recommendations from previous reports.

The Auditor General's Office also has an independent oversight role in the investigation of reported wrongdoing. This responsibility is part of the Auditor General's 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, including:

- 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 accordance with Chapter 3 of the Toronto Municipal Code, the Auditor General reports to City Council on annual Office activities, including savings achieved. The Auditor General will present her 2023 Annual Report to the Audit Committee on February 23, 2024. The Auditor General's 2022 Annual Report demonstrating the value of the Auditor General's Office is available at: <https://www.toronto.ca/legdocs/mmis/2023/au/bgrd/backgroundfile-234111.pdf>

In 2024, the Auditor General will continue to carry out her mandate by

- 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 of high-risk complaints** that help address and deter fraud, waste, and other wrongdoing in the City.

More specifically, the [Auditor General's Office 2024 Work Plan](#), considered by City Council at its December 13-15, 2023 meeting, includes projects to address the following key areas:

- **Housing & Community** – Short-Term Rental Accommodations and Municipal Accommodation Tax, Parks Maintenance, Winter Respite Sites and Warming Centres
- **Cybersecurity & IT** – Toronto Hydro Cybersecurity, TCHC Cybersecurity, Major IT Project, Software Acquisition and Licence Utilization
- **Infrastructure & Transit** - Toronto Building Plan Review and Customer Service, TTC Workforce Planning and Management, Utility Cuts
- **Emergency Response Services** – Toronto Paramedic Services, Toronto Fire Services
- **Procurement & Contracts** – Paylt Unsolicited Proposal, FIFA/MLSE Contract, Low Dollar Value Purchases / P-Card Usage and Payments

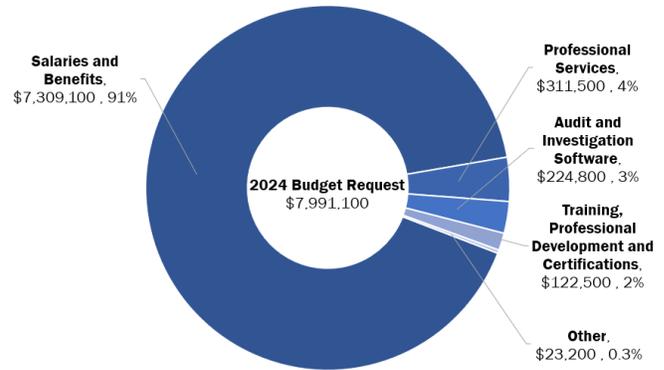
The Auditor General's Office 2024 Work Plan also includes multiple investigations and ongoing follow-up of the status of implementation of past report recommendations. The report also identifies additional projects on the horizon for 2025.

How Much Resources (gross 2024 Operating Budget): \$7.991 million

The Auditor General's 2024 Operating Budget request reflects the resources needed to address the Office's 2024 Work Plan. 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.

Budget at a Glance

2024 OPERATING BUDGET			
\$Million	2024	2025	2026
Revenues	\$0.00	\$0.00	\$0.00
Gross Expenditures	\$7.99	\$8.01	\$8.05
Net Expenditures	\$7.99	\$8.01	\$8.05
Approved Positions	44.0	44.0	44.0



The 2024 Operating Budget request of \$7.991 million is a \$0.373 million (or 4.9 per cent) increase from the Approved Adjusted 2023 Operating Budget for the Auditor General's Office.

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 (0.05% of the City's 2023 budget), is also among the lowest of major municipalities across Canada, as well as those of a number of municipalities in the United States.

The budget pressure largely arises from:

- an increase in salaries and benefits by \$0.557 million, mainly due to the reversal of one-time savings adjustment from staff turnover experience included in the 2023 Operating Budget and City-wide non-union salary adjustments effective January 1, 2023 that were not contemplated in the 2023 Operating Budget,
- partially offset by a decrease of \$0.208 million in the budget, mainly for professional services for experts, specialists and contracted audit professionals and the corresponding delay or deferral of planned IT and cybersecurity audits at certain City agencies and corporations.

Any cost-of-living or performance-based salary adjustments to be applied in 2024 are not reflected as per the Financial Planning Division's 2024 operating budget guidelines. The Financial Planning Division budgets for these costs City-wide as part of Non-Program expenditures and a request to transfer the allocation to the Auditor General's Office budget will typically be made in-year.

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 2023 Annual Report to the Audit Committee on February 23, 2024. The Auditor General's 2022 Annual Report demonstrating the value of the Auditor General's Office is available at:

<https://www.toronto.ca/legdocs/mmis/2023/au/bgrd/backgroundfile-234111.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 realized¹. 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 [2022 Annual Report](#). Updated values will be provided in the 2023 Annual Report, which will be presented to Audit Committee at its meeting on February 23, 2024.

- 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 \$31.8 million* in the Office (2018-2022); and, in the last five years of annual reports (2018-2022), the Auditor General has reported that the City achieved a total cumulative estimated savings of \$398 million* from one-time and annually recurring amounts projected over a five-year period, after implementing the Auditor General's recommendations
- A return of \$12.52* to the City for every \$1 invested in our Office

¹ The approach used to calculate savings is discussed on p.26-29 of the 2022 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 the Auditor General's recommendations. These include strengthened internal controls, cybersecurity 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 2023 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>Building Better Outcomes – Audit of Toronto Building's Inspection Function</i>	Improving Toronto Building's policies and processes will better support inspectors' ability to efficiently and effectively inspect construction within legislated timeframes, and issue and follow up on orders to enforce compliance with the Building Code Act, 1992 and Ontario Building Code requirements, which sets standards for public health and safety, fire protection, and structural sufficiency.
<i>A Review of the Procurement and Award of the Winter Maintenance Performance-Based Contracts</i>	Clearer process rules, technical proposal requirements, and evaluation criteria for negotiated requests for proposals will support the City's goal of keeping as many suppliers as possible through all evaluation stages and achieving the best possible outcomes and value for the City.
<i>Winter Maintenance Program Follow-Up: Status of Previous Auditor General's Recommendations and Processes to Hold Contractors Accountable to New Contract Terms</i>	Implementing robust controls based on real-time GPS information to monitor contractor performance will help the City hold contractors accountable for delivering winter services as per the contract provisions, meet winter maintenance service levels, improve quality of service, and minimize public complaints.
<i>City of Toronto's Modular Housing Initiative: The Need to Balance Fast Delivery with Stronger Management of Contracts and Costs</i>	Improving project planning and contract management, having a more informed budget, and strengthening the tracking, monitoring, and reporting of project costs will help modular housing projects stay on budget, improve accountability and transparency, and reduce the risk of potential delays.
<i>Audit of the Enterprise Work Management Solution (EWMS): Lessons Learned for Future Large Information Technology Projects</i>	Improving project planning, communication between stakeholders, and strengthening governance and project execution will support overall program goals being achieved, increased efficiencies, and realization of intended benefits in a timely manner.
<i>Audit of the Toronto Transit Commission's Streetcar Overhead Assets: Strengthening the Maintenance and Repair Program to Minimize Asset Failures and Service Delays</i>	Improving the planning, scheduling, and tracking of preventative inspections and corrective maintenance and repairs will help to reduce the risk of asset failures and related TTC streetcar service delays and disruptions. Strengthening policies will improve consistency in the work performed and documented. Improving performance monitoring and reporting and leveraging technologies to enhance the way data is captured will optimize the use of available resources and improve information for decision-making.
<i>Toronto Transit Commission Cybersecurity Audit - Phase Two: Overall Network Security and Cybersecurity Assessment of Select Critical Systems</i>	Implementing strengthened controls will help the TTC to ensure that the supporting technology infrastructure has a high degree of reliability and help protect the agency in the event of a cyber attack.

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 will present her 2023 Annual Report to the Audit Committee on February 23, 2024. The Auditor General's 2022 Annual Report demonstrating the value of the Auditor General's Office is available at: <https://www.toronto.ca/legdocs/mmis/2023/au/bgrd/backgroundfile-234111.pdf>.

Service	Measure	2021 Actual	2022 Actual	2023 Target	2023 Projection	Status	2024 Target	2025 Target
Outcome Measures								
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 cybersecurity, etc.) as described in our Annual Reports	14+ reports	9+ reports	10 – 15 reports	8 reports ²	●	10 – 15 reports	10 – 15 reports
	Implemented recommendations that led to financial and non-financial benefits (from inception)	81% ³	80% ³	90%	83% ³	●	90%	90%
Demonstrate value through quantifiable financial benefits	Positive return on investment (ratio of five-year audit costs to five-year estimated realized savings)	\$14.9	\$12.5	\$10.0	\$8.5 ⁴	● ⁴	\$10.0	\$10.0

² The number of reports tabled in 2023 was impacted by several factors. During 2023, the Auditor General's Office was affected by unanticipated staff leaves, turnover, and vacancies. These staffing constraints led to certain projects in the Work Plan being delayed or deferred. The Auditor General's Office has successfully hired new staff and reached near full staff complement in Q4 2023. However, with approximately one quarter of the Office having been newly hired in 2023, onboarding and supervision, coaching, and on-the-job training of new staff required more time from senior staff, as well as time for the new staff to attend training courses. 2023 was also a year of transition, as the new Auditor General started December 17, 2022, and new contracts for vendors (e.g., cybersecurity experts) were required. The Office's approach on reporting the results of investigations varies, which impacts the number of investigation reports issued in a given year. In 2023, the Office issued one public investigation report. Some of the other investigations completed are expected to be reported through the 2023 Fraud and Waste Hotline Annual Report. (In comparison, the Office issued standalone investigation reports in prior years as follows: 2022: 1; 2021: 4; 2020: 3).

³ While management continues to make progress, the Auditor General has not yet verified all recommendations reported as implemented. Management has reported another 8% of recommendations have been fully implemented or are no longer relevant (10% in 2022; 6% in 2021) which could bring the implementation rate to 91% (90% in 2022; 87% in 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.

⁴ The 2023 projection for return on investment of \$8.5 was based on follow-up of recommendations made in previous Auditor General reports completed by June 2023. As reported in the [Auditor General's 2023 Annual Report](#), which was considered by the Audit Committee on February 23, 2024, the City has achieved cumulative one-time and annually recurring savings projected over a five-year period totaling \$387 million (as reported in our 2019 to 2023 Annual Reports) by implementing our recommendations. The cumulative cost of operating the Auditor General's Office from 2019 to 2023 was approximately \$32 million. Based on these numbers, for every dollar invested in the Auditor General's Office there was a return of about \$12.

Service	Measure	2021 Actual	2022 Actual	2023 Target	2023 Projection	Status	2024 Target	2025 Target
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.	820 complaints 1,200 allegations	1,032 complaints 1,200 allegations	N/A	1,130 complaints 1,300 allegations	●	N/A	N/A
Maintain compliance with Government Auditing Standards	Successfully pass the external quality assurance review every three years	Review delayed ⁵	Pass	N/A	N/A	●	Pass	N/A

2023 Projection to 2023 Target Comparison

- 100% (MET TARGET)
- 70 - 99% (LOW RISK)
- 69% and Under (REQUIRES ATTENTION)

⁵ In July 2021 (2021.AU9.18), 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. The last external peer review covering the period January 1, 2018 to December 31, 2020 was completed in 2022. The next external peer review covering the period January 1, 2021 to December 31, 2023 will be completed in 2024.

EXPERIENCES, CHALLENGES AND PRIORITIES

Our Experience and Success

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. This work has been a catalyst for change across the City.

In addition to bringing critical information to City Council, the Auditor General's Office has continuously delivered impactful audits, reviews, and investigations with recommendations to the City and its agencies and corporations, including our reports in 2023 aimed at:

- supporting technology infrastructure so that it has a high degree of reliability, and helping to protect the City and its agencies (e.g., TTC) and corporations in the event of a cyber attack
- holding contractors (e.g., winter maintenance) accountable for delivering services according to contract terms
- improving planning, tracking, and monitoring of large projects (e.g., modular housing; large Information technology projects like EWMS) and related costs to reduce the risk of potential delays, support achievement of overall program goals and improve accountability and transparency
- clarifying negotiated request for proposal procurement process rules (e.g., winter maintenance), technical proposal requirements, and evaluation criteria to better support achieving the best possible outcomes and value for the City
- supporting public safety in constructed buildings through efficient and effective building inspections
- strengthening the maintenance and repair program for TTC streetcar overhead assets to minimize asset failures and service delays.

As reported in past Annual Reports, the Auditor General's Office continues to demonstrate the value of the work it performs 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 2024 Operating Budget request reflects the resources needed to address her 2024 Work Plan. 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. **Potential requests to amend the work plan (in-year) and/or additional new projects to address emerging risks** are not contemplated in the Auditor General's 2024 Operating Budget request and 2024 Work Plan – addressing such requests or emerging risks within the existing staff complement and budget constraints would necessitate a delay / deferral of other projects on the work plan.
2. The Auditor General's budget is comprised mainly of Salaries and Benefits. Operating at full staff complement as well as ongoing budget pressures arising from City-wide changes to the non-union salary bands means that **any reduction to the Auditor General's 2024 Operating Budget request would require a gapping of vacancies that may arise during 2024 and/or a reduction of staff**. For example, in order to keep the 2024 budget equal to the 2023 Approved Adjusted Operating Budget for the Auditor General's Office of \$7.619 million, an amount of \$0.373 million would have to be deducted from the 2024 budget request. Such a reduction can only be accommodated by not filling any vacancies that arise during the year and then potentially reducing the number of Auditor General's Office staff and reducing the 2024 Work Plan by at least one project.

3. In order to contain costs in 2024, the Auditor General reduced budgeted expenditures for Services and Rent compared to prior years by **reducing planned expenditures related to contracted IT specialists**⁶. In 2024, we plan to conduct two cybersecurity assessments.

Priority Actions

1. **Continue to deliver high-priority audit projects and conduct investigations of high-risk complaints.** 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, adjusting the timing of projects in the 2024 Work Plan where needed. Looking forward to 2024, the Auditor General and her staff will continue to work diligently to deliver on:
 - 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 of high-risk complaints** that help address and deter fraud, waste, and other wrongdoing in the City.
2. **Focus on retention of existing work force and continue to develop staff from within.** As noted in the Auditor General's 2023 Budget Notes, during 2022 and into 2023 the Auditor General's Office experienced challenges recruiting and retaining highly qualified professional staff to carry out performance audits, special investigations, and information technology reviews. During 2023, the Auditor General's Office was successfully able to fill a number of positions that were vacant for a number of months. Looking forward to 2024, the Auditor General will focus on developing the technical knowledge, leadership skills and experience of existing staff in order to support ongoing retention of talent within the Office. The Auditor General's Office continues to have staff requiring extended leaves where positions cannot be backfilled without financial impacts. This is expected to continue through 2024. Consequently, certain projects in the Work Plan have been delayed or deferred to subsequent years.
3. **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. The Auditor General will also continue to maintain investments in IT systems, software, and specialized investigative tools that allow the Office to effectively and efficiently deliver its mandate.

⁶ In her 2023 budget request, the Auditor General requested that a new discretionary reserve be established with contributions to the reserve limited to unused funds in the Auditor General's budget allocated for contracted services, in order to fund projects on the Auditor General's Work Plan that were initiated in one year but continued on into a subsequent year. In July 2023, the Chief Financial Officer and Treasurer reported to the Executive Committee that the creation of the requested reserve was not consistent with the City's operating budget surplus management, would deviate from the City's surplus management policy, and be inconsistent with past direction to City programs and agencies. Thus, the creation of the requested discretionary reserve was not recommended. Refer to the [Operating Variance Report for the Twelve Months Ended December 31, 2022 \(toronto.ca\)](https://www.toronto.ca/budget) for further details.

2024 BUDGET

1. The 2024 Operating Budget for the Auditor General's Office of \$7.991 million gross and \$7.991 million net for the following:

	Gross Expenditures (\$000s)	Revenue (\$000s)	Net Expenditures (\$000s)
Total Auditor General's Office Budget	7,991.1	0.0	7,991.1

- The 2024 staff complement for the Auditor General's Office of 44.0 positions, comprised of 44.0 operating positions.

2024 OPERATING BUDGET

2024 OPERATING BUDGET OVERVIEW

Table 1: 2024 Operating Budget by Service

(In \$000s)	2022 Actual	2023 Budget	2023 Projection*	2023 Budget excl COVID	2024 Base Budget	2024 New / Enhanced	2024 Budget	Change v. 2023 Budget excl COVID	
By Service	\$	\$	\$	\$	\$	\$	\$	\$	%
Revenues									
Auditor General's Office	0.6								N/A
Total Revenues	0.6								N/A
Expenditures									
Auditor General's Office	6,513.6	7,618.5	7,118.5	7,618.5	7,991.1		7,991.1	372.6	4.9%
Total Gross Expenditures	6,513.6	7,618.5	7,118.5	7,618.5	7,991.1		7,991.1	372.6	4.9%
Net Expenditures	6,513.0	7,618.5	7,118.5	7,618.5	7,991.1		7,991.1	372.6	4.9%
Approved Positions**	44.0	44.0	N/A	44.0	44.0		44.0	N/A	N/A

*2023 Projection based on 9 Month Variance

**YoY comparison based on approved positions

KEY DRIVERS

Total 2024 Budget expenditures of \$7.991 million gross reflects an increase of \$0.373 million in spending above 2023 budget, predominantly arising from:

- a reversal of one-time savings adjustment from staff turnover experience of \$0.270 million in 2023
- an increase in salaries and benefits by \$0.287 million to reflect the staff resources required to deliver the office's mandate, including an adjustment for two additional working days in 2024
- an offsetting decrease of \$0.208 million mainly for professional services for experts, specialists and contracted audit professionals and the corresponding delay or deferral of IT and cybersecurity audits at certain City agencies and corporations

EQUITY IMPACTS OF BUDGET CHANGES

The changes in the Auditor General's Office 2024 Operating Budget do not have any significant equity impacts.

The Auditor General's Office considers equity impacts when conducting audits. Audits included in the Auditor General's Office 2024 Work Plan where findings and recommendations may have direct or indirect equity impacts include the audits of 911 Emergency Response Services - Toronto Paramedic Services and Toronto Fire Services and the audit of Winter Respite Sites and Warming Centres for People Experiencing Homelessness.

2024 OPERATING BUDGET KEY COST DRIVERS

The 2024 Net Operating Budget for the Auditor General's Office is \$0.373 million or 4.9% greater than the 2023 Net Budget, when reversing 2023 pandemic costs and applying a zero-base budget approach to all prior year COVID-19 related financial impacts. Table 2 below summarizes the key cost drivers for the 2024 Budget.

Table 2: 2024 Key Cost Drivers

(In \$000s)	2024				2025 Annualized impact (Net)
	Revenues	Gross	Net	Positions**	
2023 Budget		7,618.5	7,618.5	44.0	N/A
2023 Projection*		7,118.5	7,118.5	N/A	N/A
2023 Budget (excl. COVID)		7,618.5	7,618.5	44.0	N/A
Key Cost Drivers:					
<i>Prior Year Impacts</i>					
Reversal of one time savings adjustment from turnover experience		270.0	270.0		
<i>Salary & Benefits</i>					
Base salary, benefits and working day adjustments		287.4	287.4		(2.5)
<i>Non-Salary Inflation</i>					
Inflationary impact		22.7	22.7		25.9
Sub-Total - Key Cost Drivers		580.1	580.1		23.4
Affordability Measures:					
Line-by-Line/Matching Actuals		(207.5)	(207.5)		
Sub-Total - Affordability Measures		(207.5)	(207.5)		
Total 2024 Budget		7,991.1	7,991.1	44.0	23.4
Change from 2023 Budget (excl. COVID) (\$)		372.6	372.6	N/A	N/A
Change from 2023 Budget (excl. COVID) (%)	N/A	4.9%	4.9%	N/A	N/A

*Based on 9 Month Variance

**YoY comparison based on approved positions

Key Base Drivers:

Prior Year Impacts:

- Reversal of 2023 one-time savings adjustment from staff turnover experience of \$0.270 million. The Office made a one-time savings adjustment from staff turnover experience in 2023 in anticipation of the time it would take to fill permanent positions. These positions have now been filled.

Salaries & Benefits:

- Increase in salaries and benefits budget of \$0.287 million to reflect the full staff resources required to deliver impactful audits and investigations in accordance with the Auditor General's mandate, and budgetary provision for two additional working days in 2024.

Non-Salary Inflation:

- Inflationary adjustment of \$0.023 million for non-payroll expenditure items.

Affordability Measures:

Table 3: Offsets and Efficiencies

Recommendation	Savings Type	Equity Impact	(In \$000s)							
			2024				2025 (Incremental)			
			Revenue	Gross	Net	Positions	Gross	Net	Positions	
Reduce non-payroll expense budget as a result of line-by-line review	Line By Line	None		(207.5)	(207.5)					
Total Affordability Measures				(207.5)	(207.5)					

In undertaking a line-by-line review of the non-payroll expenditure budgets, the Office has decreased the budget by \$0.208 million, mainly for professional services for experts, specialists and contracted audit professionals with a corresponding delay or deferral of IT and cybersecurity audits at certain City agencies and corporations.

2025 & 2026 OUTLOOKS**Table 5: 2025 and 2026 Outlooks**

(In \$000s)	2024 Budget	2025 Incremental Outlook	2026 Incremental Outlook
Revenues			
Total Revenues			
Gross Expenditures			
Base salary, benefits and working day adjustment		(2.5)	26.5
Inflationary impacts for non-payroll expenditures		25.9	13.7
Total Gross Expenditures	7,991.1	23.4	40.2
Net Expenditures	7,991.1	23.4	40.2
Approved Positions	44.0		

Key Outlook Drivers

The 2025 Outlook with total gross expenditures of \$8.015 million reflects an anticipated \$0.023 million or 0.29% increase in gross expenditures above the 2024 Operating Budget. The 2026 Outlook expects a further increase of \$0.040 million or 0.50% above 2025 gross expenditures.

These changes arise from the following:

- Salaries and benefits adjustments related to 261 working days in 2025 and 2026 versus 262 working days in 2024, and benefit rate changes.
- Economic factor adjustments for non-payroll expenditure items.

APPENDICES

Appendix 1

2024 Operating Budget by Category

Category (In \$000s)	2021	2022	2023	2023	2024	2024 Change from 2023		2024 Change from	
	Actual	Actual	Budget	Projection*	Budget	Budget	Budget	2023 Projection	2023 Projection
	\$	\$	\$	\$	\$	\$	%	\$	%
Sundry and Other Revenues		0.6							
Total Revenues		0.6							
Salaries and Benefits	5,506.8	5,983.7	6,751.7	6,251.7	7,309.1	557.4	8.3%	1,057.4	16.9%
Materials & Supplies	0.6	3.4	8.4	8.4	6.2	(2.2)	(26.5%)	(2.2)	(26.5%)
Equipment	30.1	28.5	70.6	70.6	34.8	(35.8)	(50.8%)	(35.8)	(50.8%)
Service and Rent	575.9	498.0	787.8	787.8	641.1	(146.7)	(18.6%)	(146.7)	(18.6%)
Total Gross Expenditures	6,113.4	6,513.6	7,618.5	7,118.5	7,991.1	372.6	4.9%	872.6	12.3%
Net Expenditures	6,113.4	6,513.0	7,618.5	7,118.5	7,991.1	372.6	4.9%	872.6	12.3%

*Projection based on 9 Month Variance

Appendix 2

Summary of 2024 Service Changes

N/A

Appendix 3

Summary of 2024 New / Enhanced Service Priorities Included in Budget

N/A

Appendix 4

Summary of 2024 New / Enhanced Service Priorities Not Included in Budget

N/A

Appendix 5

2024 Capital Budget; 2025 - 2033 Capital Plan Including Carry Forward Funding

N/A

Appendix 5a

2024 Cash Flow and Future Year Commitments Including Carry Forward Funding

N/A

Appendix 5b

2025 - 2033 Capital Plan

N/A

Appendix 6

Reporting on Major Capital Projects: Status Update

N/A

Appendix 7

Capacity to Spend Review

N/A

Appendix 8

Summary of Capital Needs Constraints

N/A

Appendix 9

Capital Program Provincial/Federal Funding Streams by Project

N/A

Appendix 10

Inflows and Outflows to/from Reserves and Reserve Funds

N/A

Appendix 11

Glossary

Approved Positions: Total approved permanent or temporary positions that support the delivery of City services and service levels in the annual budget. **Actuals:** An actual financial amount paid (or received) for the delivery of City services (these exclude any commitments to be paid in the future).

Capacity to Spend: Ability to spend money along with the capacity to deliver projects as demonstrated by historic spending patterns and approved contractual obligations.

Capital Budget and Plan: A Capital Budget and Plan is the City's 10-year strategy to acquire / build assets or extend the useful life of existing assets. The Capital Budget is the first year of approved cash flows and future year's commitments and the remaining nine years include project estimates

Capital Needs Constraints: The capital needs that cannot be accommodated within the capital plan that the Division or Agency have the capacity to deliver.

Efficiencies: Reductions in the cost of delivering a service without a reduction in service level.

New / Enhanced Service Priorities: 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.

Operating Impact of Completed Capital Projects: The change in operating expenditure and / or revenue which is projected to occur during the implementation of a capital project and/or when a capital project is completed.

Rate Supported Budget: Budget fully funded by user fees such as Solid Waste, Toronto Water and Toronto Parking Authority

Staff Complement: The operating and capital positions that support the delivery of City services and service levels in the annual budget (*see Approved Positions*).

State of Good Repair (SOGR): The cost of maintaining assets to ensure they are able to support the delivery of City services and meet service outcomes.

Tax Supported Budget: Budget funded by property taxes.