

# **TORONTO** STAFF REPORT

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May 28, 2005

To: Audit Committee  
From: Auditor General  
Subject: Outstanding Audit Recommendations Follow-up Process

Purpose:

To provide the Audit Committee with information related to the Auditor General's proposed process for follow-up on outstanding audit recommendations.

Financial Implications and Impact Statement:

Although financial benefits from implementation of the proposed process are anticipated, it is not currently feasible to project cost savings, revenue generated or estimate anticipated qualitative benefits from the implementation of the proposed follow-up process.

Recommendations:

It is recommended that the Audit Committee receive the report and forward to City Council for information.

Background:

By-law 457-2002 of the City of Toronto requires that the Auditor General follow up on audit recommendations made in audit reports.

Government Auditing Standards state that while management is responsible for addressing audit findings and recommendations and tracking the status of resolution, audit organizations are responsible for establishing policies and procedures for follow-up to determine whether previous findings and recommendations have been addressed.

Audit recommendations are a result of audit work performed City-wide.

The current follow-up process employed by the Auditor General is to conduct follow-up audits in a manner similar to audits arising out of the Audit Work Plan. These follow-up audits require a significant investment in audit resources and time, and are difficult to conduct in a manner that provides timely information in relation to the original audit report issue date. As well, in many cases, these audits result in additional recommendations which may not be followed up on in a timely manner due to other priorities. This cycle results in circumstances which make it difficult to remain current on the status of outstanding audit recommendations.

We believe this proposed process will result in more timely follow-up, better status tracking, and most importantly, more timely implementation of outstanding audit recommendations.

The Auditor General has discussed the proposed follow-up process with the City Manager and other appropriate management representatives and has incorporated the input received in these discussions.

Comments:

Description of the Proposed Follow-up Process

The following provides a brief description of the proposed process.

- (a) Upon City Council approval of the Auditor General's original report and management's response, the recommendations and expected date of implementation are recorded in a database maintained by the Auditor General. On a semi-annual basis (every six months) the Auditor General notifies the City Manager or appropriate management representative (for ABCs) in writing of all outstanding recommendations.
- (b) The appropriate division official then provides a written status report to the City Manager or appropriate management representative (for ABCs) who then reports this information to the Auditor General.
- (c) Upon notification that corrective action has been taken to implement a recommendation, the Auditor General takes the necessary steps to verify that corrective action has been taken.
- (d) The Auditor General prepares a summary report to the Audit Committee and City Council. The report includes the following sections and related information:

- Section 1. Recommendation to Accept the Report
- Section 2. Background/Explanation of the Process
- Section 3. Conclusion – Total Number of Recommendations Outstanding at the Beginning of the Period

<u>Minus</u>	<u>number of recommendations verified as implemented</u>
<u>Plus</u>	<u>number of recommendations added since last period</u>
Total	number of recommendations currently outstanding

Section 4. Summary of Results by Division (sample format shown below)

Sample Format

Department	Audit Title	Beginning of Period	Implemented	Currently Outstanding
Toronto Police Service	Revenue Controls	10	5	5
Agencies, Boards, Commissions	Protocol Relating to Financial Statements	5	3	2
City Manager	Selection and Hiring of Professional and Consulting Services	17	10	7
Total		32	18	14

Section 5. Highlights of Selected Implemented Recommendations

Section 6. Attachment A: Implemented Audit Recommendations During the Period

Section 7. Attachment B: Outstanding Audit Recommendations Remaining

Proposed Implementation Timeframe:

Proposed Concept to the Audit Committee	July 2005
Report to the City Manager/ABCs for distribution to management	August 2005
Auditor General follow-up on implemented recommendations	October 2005
Follow-up report to the Audit Committee	January 2006

Conclusions:

We believe the proposed follow-up process will result in significant benefits to the City including:

- faster implementation of audit recommendations;
- improved tracking and reporting to the Audit Committee and City Council;
- strengthened efficiency and effectiveness of Auditor General staff resources; and
- more time provided for staff resources to focus on areas not audited.

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