



# AUDITOR GENERAL'S REPORT ACTION REQUIRED

## Follow Up of Previously Implemented Audit Recommendations

|                              |                 |
|------------------------------|-----------------|
| <b>Date:</b>                 | May 1, 2013     |
| <b>To:</b>                   | Audit Committee |
| <b>From:</b>                 | Auditor General |
| <b>Wards:</b>                | All             |
| <b>Reference<br/>Number:</b> |                 |

### SUMMARY

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Our annual audit follow up process includes an evaluation of the status of recommendations made in audit reports issued. Once we determine that recommendations have been implemented, we conduct no further follow up on these recommendations.

However, it is becoming apparent through a number of sources, generally through the Fraud and Waste Hotline that circumstances which led to the original recommendation have reoccurred. Such situations have resulted in internal control deficiencies which had originally been rectified.

While it is not practical to conduct specific follow up work on all recommendations previously implemented, one of the objectives in developing our audit work plan is to revisit areas that have not been audited for a number of years. This is an effective method of identifying re-emerging control weaknesses. However, for the most part, we have not been able to do this due to audit resource limitations.

To compensate for resource constraints we have attempted to leverage our work to the extent possible. For example, in our November 7, 2011 report entitled "Previous Audit Reports – Common Themes and Issues" one of the issues identified pertained to:

"Audit recommendations which are specific to individual Divisions, Agencies, Boards and Commissions need to be considered on a City-wide basis. Recommendations generally have applicability not only to the entity subject to audit but also to other entities throughout the City."

Again, in the case of a number of recent audits, it is clear that this recommendation has not received adequate attention.

## **RECOMMENDATIONS**

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### **The Auditor General recommends that:**

1. City Council request the City Manager to direct the Internal Audit Unit to conduct periodic and random reviews of recommendations previously reported as implemented. Such a review ensure that such recommendations continue to be effectively implemented. Further, the City Manager advise all Divisions, and major Agencies and Corporations that recommendations contained in reports issued by the Auditor General be reviewed in order to determine their applicability to their own entity.

### **Financial Impact**

The recommendations in this report have no financial impact.

## **COMMENTS**

The Auditor General conducts an annual follow up review of the implementation status of outstanding audit recommendations both at the City and at the Agencies and Corporations. The results of the Auditor General's review are reported to the City's Audit Committee, the Boards of City's Agencies and Corporations and ultimately to Council.

Once the Auditor General has determined that recommendations have been implemented, no further follow up work is conducted. It is apparent from a number of sources, including the Auditor General's Fraud and Waste Hotline, that circumstances which led to the original recommendation have reoccurred. The original recommendations were agreed to by management and in many cases addressed internal control weaknesses and may also have resulted in reduced costs or increased revenues.

Further, when conducting audit work on specific City operations, we often identify weaknesses and make recommendations that may have relevance to other City Divisions, Agencies and Corporations. In these cases we recommend that our audit reports including the recommendations be reviewed by the relevant City Divisions, Agencies and Corporations.

## **CONCLUSION**

We have noted in a number of instances where internal control weaknesses, previously corrected through implementation of Auditor General's recommendations, have

reoccurred. It is management's responsibility to ensure that control weaknesses, once corrected, are addressed on an ongoing basis.

Further, many Auditor General's recommendations on specific programs or divisions may apply equally to operations in other City Divisions, Agencies and Corporations. A broader review of relevant Auditor General's recommendations would help identify and correct control weaknesses across the City.

## **CONTACT**

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## **SIGNATURE**

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13-AAS-05