



# AUDITOR GENERAL'S REPORT ACTION REQUIRED

## Auditor General's 2016 Status Report on Outstanding Audit Recommendations for City Agencies and Corporations

<b>Date:</b>	June 14, 2016
<b>To:</b>	Audit Committee
<b>From:</b>	Auditor General
<b>Wards:</b>	All
<b>Reference Number:</b>	

### SUMMARY

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On an annual basis the Auditor General reviews the implementation status of outstanding audit recommendations and reports the results to City Council through the Audit Committee. This report provides the results of the Auditor General's 2016 follow-up review of audit recommendations to City agencies and corporations.

From July 1, 2010 to June 30, 2015, the Auditor General issued 17 reports to City agencies and corporations containing a total of 212 recommendations. Six of these recommendations are no longer applicable due to either re-organizations or changes to business practices. Of the remaining 206 recommendations, City agencies and corporations have implemented, as of April 2016, 67 per cent or 139 of the applicable recommendations.

Continued efforts to implement outstanding recommendations will provide additional benefits to City agencies and corporations such as cost savings, additional revenue and enhanced service delivery.

This update on the status of outstanding recommendations includes the following City agencies and corporations:

1. Toronto Police Services
2. Toronto Community Housing Corporation
3. Toronto Transit Commission
4. Sony Centre for the Performing Arts
5. Build Toronto

6. Invest Toronto
7. Toronto Parking Authority

## **RECOMMENDATION**

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

1. City Council receive this report for information.

### **Financial Impact**

The recommendation in this report has no financial impact.

## **ISSUE BACKGROUND**

In accordance with the Auditor General's 2016 Work Plan, we have completed a review of the implementation status of audit recommendations issued by the Auditor General for City agencies and corporations.

On an annual basis, the Auditor General provides a listing of outstanding audit recommendations to management. Management responds with information detailing actions taken on recommendations implemented as well as progress made on those not fully implemented.

The Auditor General reviews information provided by management to determine the accuracy of management assertions related to each recommendation. The results of these reviews are communicated to the respective Boards of the agencies and corporations and subsequently to City Council through the Audit Committee.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **COMMENTS**

### **Results of the Auditor General's 2016 Review**

Table 1 below shows the implementation status of recommendations issued by the Auditor General's Office to City agencies and corporations during the five-year period from July 1, 2010 to June 30, 2015.

**Table 1: Status of Recommendations issued from July 1, 2010 to June 30, 2015**

<b>Entity</b>	<b>Total Recommendations</b>	<b>Implemented</b>	<b>Not Fully Implemented</b>	<b>No Longer Relevant</b>
Toronto Police Service	28	23	3	2
Toronto Community Housing Corporation	80	77	--	3
Toronto Transit Commission	65	25	39	1
Sony Centre for the Performing Arts	12	5	7	--
Build Toronto	25	9	16	--
Invest Toronto	2	--	2	--
<b>Total</b>	<b>212</b>	<b>139</b>	<b>67</b>	<b>6</b>

*The above statistics does not include one not fully implemented recommendation relating to the Toronto Parking Authority issued in 2009. Please refer to Appendix 7.*

The follow-up reports presented to the respective Boards are included in the appendices to this report. These reports provide further detail regarding their respective recommendations and current implementation status. On a combined basis, City agencies and corporations have implemented 67 per cent or 139 of the applicable recommendations made by the Auditor General since July 1, 2010.

Recommendations reported as implemented in this report will not be reported to City Council in the future. All recommendations reported as not fully implemented will be included in subsequent follow-up reviews until fully implemented.

Detailed results of our follow-up review are enclosed as Appendix 1 through 7.

This is our first recommendation follow-up of the 2014 operational reviews of Build Toronto and Invest Toronto. Audit of the other agencies listed in Table 1 have been part of the follow-up review process in the past.

Many of these agencies have undertaken a significant amount of work to implement the audit recommendations. While a number of the audit recommendations have not been fully implemented as of April 2016, we recognize that some of our recommended changes require significant system or process changes hence necessitating a longer time frame for full implementation. Two TTC audit recommendations that have resulted in quantifiable savings in 2016 are highlighted in the following Noteworthy Recommendations Implemented section.

Toronto Police Service has also made progresses implementing the majority of audit recommendations over the past five years. Three recommendations remain outstanding,

one of which is from the 2010 audit report on Police Paid Duty. This is discussed further in the Noteworthy Recommendation Not Fully Implemented section below.

## **Noteworthy Recommendations Implemented**

### **TTC Bus Maintenance Phase One Audit Report "Review of Bus Maintenance and Shops Department, Phase One: Bus Maintenance and Warranty Administration", January 2014**

Our audit highlighted the need for assessing the merits of the 5,000 km bus preventive maintenance (PM) inspection in preventing mechanical failures. Staff have reviewed other agencies' PM practices and analysed TTC maintenance data and concluded that the 5,000 km PM interval may be unnecessary for buses under three years old. As a result, TTC eliminated the 5,000 km required PM interval for 258 new buses in 2016 and set the PM interval for all new buses delivered in the future to 10,000 km.

Eliminating the 5,000 km PM interval for new buses will result in annual maintenance savings of approximately \$120,000 commencing in 2016.

### **TTC Bus Maintenance Phase Two Audit Report "Review of Bus Maintenance and Shops Department, Phase Two: Non-Revenue Fleet and Equipment Management and Maintenance", December 2014**

Recommendations 9 and 10 request TTC staff to undertake a corporate-wide review of rental vehicle needs and opportunities for shared vehicle usage. In response to the audit recommendations, TTC staff have compiled a non-revenue inventory list, completed a corporate-wide review of rentals, and developed a TTC NRV Fleet Plan.

In 2015, TTC purchased five vehicles to replace the long-term rentals and reduced the number of rental vehicles by 44 per cent from 81 to 45. TTC staff estimated the net savings from rental reduction at approximately \$500,000 per year.

## **Noteworthy Recommendation Not Fully Implemented**

### **Toronto Police Service "Police Paid Duty - Balancing Cost Effectiveness and Public Safety" December, 2010**

The audit report contained 10 recommendations to improve the effectiveness and efficiency of the system, and officer compliance with police paid duty policies. During our previous follow-up processes, seven of the 10 recommendations were verified as fully implemented and two recommendations were determined as no longer applicable. For the remaining one outstanding recommendation, which pertains to the need to track and recover paid duty equipment and rental costs, management reported in 2016 that *"tracking paid duty equipment use in order to ensure direct and indirect costs are fully recovered is an onerous administrative task that would not produce any significant value to the organization."*

Although management reported this recommendation has been fully implemented, our assessment found that the equipment rental fees have not been adjusted since 2011. We consider this recommendation as not fully implemented and will re-assess the status next year.

City Council at its May 2016 meeting adopted a recommendation to request the Police Services Board to request the Auditor General to add a review of the police paid duty program to her 2016 or 2017 work plan.

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## **SIGNATURE**

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Beverly Romeo-Beehler, Auditor General

15-FLA-01

## **ATTACHMENTS**

- Appendix 1: Toronto Police Services Board, Results of Follow-up of Previous Auditor General Audit Recommendations
- Appendix 2: Toronto Community Housing Corporation, Results of Follow-up of Previous Auditor General Audit Recommendations
- Appendix 3: Toronto Transit Commission, Results of Follow-up of Previous Auditor General Audit Recommendations
- Appendix 4: Sony Centre for the Performing Arts, Results of Follow-up of Previous Auditor General Audit Recommendations
- Appendix 5: Build Toronto, Results of Follow-up of Previous Auditor General Audit Recommendations
- Appendix 6: Invest Toronto, Results of Follow-up of Previous Audit Recommendations
- Appendix 7: Toronto Parking Authority, Results of Follow-up of Previous Audit Recommendations