



AUDITOR GENERAL'S REPORT ACTION REQUIRED

Auditor General's New Recommendation Follow-up Process and Response to Report Estimated Cost Savings Associated with Outstanding Recommendations

Date:	October 11, 2016
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

On an annual basis, the Auditor General reviews the implementation status of outstanding audit recommendations and reports the review results to City Council through the Audit Committee. This report provides information regarding the Auditor General's new annual follow-up reporting process which will be piloted in 2017 and 2018.

At the July 4, 2016 Audit Committee meeting, a motion was adopted requesting the Auditor General to report to the October 28, 2016 Audit Committee meeting on the estimated savings associated with outstanding audit recommendations and the effect these savings would have on the City's Annual Financial Statements.

In response to the request, the Auditor General will incorporate the requested information in her 2017 annual follow-up reports to the Audit Committee.

RECOMMENDATION

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

The follow-up of outstanding recommendations is required by Government Auditing Standards. Following up on outstanding recommendations from previous audit and investigation reports is important and ensures that management has taken appropriate action to implement the recommendations. The Auditor General reports to the Audit Committee each year on the implementation status of outstanding recommendations.

On an annual basis, the Auditor General provides a listing of outstanding audit recommendations to management. Management responds with information detailing the action 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 validity of management assertions related to each recommendation considered as fully implemented or no longer relevant. The results of the review are reported to Council through the Audit Committee.

COMMENTS

In the past the Auditor General's annual follow-up work was conducted by the entire team of audit staff during April and May of each year in order to report the follow-up results to the Audit Committee in June.

For the years 2017 and 2018, a small dedicated team of staff will be conducting follow-up work on a year-round basis, and the follow-up results for each City Cluster review will be separately reported to the Audit Committee. A consolidated year-end report on all divisional follow-up results will also be provided to the last Audit Committee meeting of the year.

The new follow-up reporting process is designed to enhance the Auditor General's Office work efficiency by allowing staff to continue focusing on audit work throughout the year.

Table 1 outlines the new follow-up reporting schedule for 2017:

Table 1: New Recommendation Follow-Up Reporting Schedule in 2017

Audit Committee Meeting	Report of Follow-up Results
March 24, 2017	<ul style="list-style-type: none">• Cluster A• City Manager's Office
June 27, 2017	<ul style="list-style-type: none">• Cluster B• Agencies and Corporations
October 27, 2017	<ul style="list-style-type: none">• Cluster C• Forensic Unit• Consolidated year-end report

The Office will evaluate the success of this new process after piloting it in 2017 and 2018.

The Auditor General has notified the City Manager and the Deputy City Managers of the new follow-up reporting process. Audit staff in charge of the new process has met with management staff in a number of City divisions to clarify the new process, the intent of the Auditor General's follow-up work, and the general criteria used to determine the status of implementation.

At the July 4, 2016 Audit Committee meeting, a motion was adopted requesting the Auditor General to report to the October 28, 2016 Audit Committee meeting on the estimated savings associated with outstanding audit recommendations and the effect these savings would have on the City's Annual Financial Statements.

This request will require a considerable amount of audit resources to review 248 outstanding recommendations and assess the associated potential cost savings. In response to the motion, the Auditor General will incorporate the requested information into her 2017 annual follow-up reports to the Audit Committee.

CONCLUSION

Starting in 2017 the Auditor General's Office will pilot a new recommendation follow-up reporting process. The new process is designed to enhance the Office's work efficiency. In addition, in response to a motion from the July 2016 Audit Committee meeting, the Auditor General will incorporate a report on estimated savings associated with outstanding recommendations into her 2017 annual follow-up reports to the Audit Committee.

CONTACT

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SIGNATURE

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