

## **Auditor General's Status Report on Outstanding Audit Recommendations for Cluster A and the City Manager's Office**

**Date:** March 10, 2017  
**To:** Audit Committee  
**From:** Auditor General  
**Wards:** All

### **REASON FOR CONFIDENTIAL INFORMATION**

---

This report involves the security of property belonging to the City or one of its Agencies and Corporations.

### **SUMMARY**

---

On an annual basis, the Auditor General reviews the implementation status of outstanding audit recommendations and reports the review results to the City Council through the Audit Committee.

This report provides information regarding the implementation status of audit recommendations issued to City divisions in Cluster A and the City Manager's Office. This report also provides information on the potential cost savings from outstanding audit recommendations relating to Cluster A divisions and the City Manager's Office in response to a motion adopted by the Audit Committee at its July 4, 2016 meeting.

Since January 1, 1999, the Auditor General has issued 537 recommendations contained in 81 audit reports to City divisions in Cluster A and the City Manager's Office. Of the total 537 recommendations 66 were no longer applicable due to operational changes or other factors, and 471 continue to be applicable. As of February 2017, Cluster A divisions and the City Manager's Office have fully implemented 90 per cent or 423 of the applicable audit recommendations.

More specifically, for the five-year period from January 1, 2011 to December 31, 2015, the Auditor General issued 127 recommendations contained in 18 audit reports to City divisions in Cluster A and the City Manager's Office. Two of these recommendations are no longer relevant due to re-organizations or changes to business practices. Of the

remaining 125 relevant recommendations, Cluster A divisions and the City Manager's Office have fully implemented 64 per cent or 80 of the recommendations.

Of the remaining 45 outstanding recommendations, three have been outstanding for over five years. Management is taking steps to implement these recommendations.

It should be noted that, as a result of the new follow-up process starting in 2017, Cluster A divisions and the City Manager's Office were required to report their recommendation implementation status approximately four months earlier than the previous follow-up process. The shorter period for implementation, which will only occur during the first year's implementation of the new process, should be taken into account when assessing the implementation rate for Cluster A and the City Manager's Office.

We express our appreciation for the co-operation and assistance we received from management and staff of City divisions in Cluster A and the City Manager's Office.

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

## **RECOMMENDATIONS**

---

The Auditor General recommends that:

1. City Council receive this report for information.
2. City Council not authorize the public release of the confidential information in Confidential Attachment 1 as it contains confidential information involving the security of property belonging to the City or one of its Agencies and Corporations.

## **FINANCIAL IMPACT**

---

There is no financial impact resulting from the adoption of the recommendations in this report.

## **DECISION HISTORY**

---

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 motion, the Auditor General presented a report entitled "Auditor General's New Recommendation Follow-up Process and Response to Report Estimated Cost Savings Associated with Outstanding Recommendations" to the Audit Committee at its October 28, 2016 meeting. The report is available at:  
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.AU7.9>.

In the aforementioned report, the Auditor General indicated that her Office will incorporate the requested savings information in her 2017 annual follow-up reports to the Audit Committee. The Auditor General also informed the Audit Committee of a new follow-up reporting process being piloted in 2017 and 2018.

## **ISSUE BACKGROUND**

---

The follow-up of outstanding recommendations is required by Government Auditing Standards. Following up on outstanding recommendations from previous audit reports is important as it 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. In 2017, the Auditor General will report to the Audit Committee on the recommendation follow-up results as shown in Table 1:

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

<b>Audit Committee Meeting</b>	<b>Report of Follow-up Results</b>
March 24, 2017	Cluster A City Manager's Office
June 27, 2017	Cluster B Agencies and Corporations
October 27, 2017	Cluster C Auditor General's Forensic Unit Consolidated year-end follow-up report

In accordance with the Auditor General's 2017 Work Plan, and the new follow-up process, we have completed a review of the implementation status of audit recommendations issued to Cluster A divisions and the City Manager's Office.

The key steps in our recommendation follow-up process are:

1. We provide a listing of outstanding audit recommendations to management.
2. Management respond with information detailing the action taken on recommendations implemented as well as progress made on those not fully implemented.
3. The Auditor General Office (AGO) reviews information provided by management to determine the accuracy of management assertions related to each recommendation considered as fully implemented or no longer relevant.
4. The Auditor General reports the results of the follow-up review to the City Council through the Audit Committee.

This report relates only to City divisions in Cluster A and the City Manager's Office and does not include recommendations relating to divisions in Cluster B, Cluster C, City Agencies and Corporations, or the AGO Forensic Unit.

Recommendation follow-up results for Cluster B, Cluster C, City Agencies and Corporations, and the AGO Forensic Unit, will be reported to the Audit Committee in accordance with the schedule in Table 1 above. A consolidated year-end follow-up report will also be provided at the October 2017 Audit Committee meeting.

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**

---

A total of 57 outstanding recommendations from Cluster A divisions and the City Manager's Office were included in the 2017 follow-up process. Among these 57 recommendations, 46 (including 3 from prior to 2011) were reported by management as not fully implemented, and 11 were reported by management as fully implemented.

We assessed the 11 recommendations reported by management as fully implemented and determined that in two recommendations the steps undertaken or the extent of the improvement did not fully address the issues or intent of the audit recommendations. We discussed our assessment for these two recommendations with management staff before finalizing our decisions. Management staff agreed with our assessments and have indicated the additional steps they would be undertaking to fully implement these recommendations in future.

Table 2 contains cumulative results for all recommendations contained in 18 reports issued to City divisions in Cluster A and the City Manager's Office during the five-year period from January 1, 2011 to December 31, 2015.

**Table 2: Cumulative Results for All Recommendations Contained in 18 Reports**

<b>Status of Recommendations</b>	<b>As of December 31, 2015</b>
Total number of recommendations	127
Fully Implemented	80
Not Fully Implemented	45*
No Longer Relevant	2
Fully Implemented as a percentage of total recommendations excluding those no longer relevant	64%

\*Consists of 43 recommendations originally reported by management as not fully implemented and 2 recommendations assessed by audit as not fully implemented; does not include the 3 not fully implemented recommendations for reports issued prior to January 1, 2011.

The results of our review indicate that management has fully implemented 80 or 64 per cent of the applicable recommendations made by the Auditor General since January 1, 2011.

Attachment 1 contains 7 public recommendations that have been fully implemented by Cluster A divisions and the City Manager's Office as determined by the 2017 follow-up process.

Attachment 2 contains a Table outlining the outstanding recommendations for five years or longer. This is followed by an alphabetical listing by division detailing the 45 public recommendations that have not been fully implemented in Cluster A and the City Manager's Office, along with management planned actions and time frames.

Confidential Attachment 1 lists the status of the 2 confidential recommendations fully implemented and the status of the 3 confidential recommendations not fully implemented.

Recommendations determined as fully implemented or no longer relevant will not be included in the next year's follow-up process.

All recommendations reported as not fully implemented will be included in future follow-up reviews until they have been implemented.

### **Outstanding Recommendation with Potential Cost Savings**

Of the 48 audit recommendations not fully implemented, two were highlighted in the audit report for potential cost savings.

Attachment 3 lists the potential cost savings from these two outstanding audit recommendations.

## **CONCLUSION**

The results of this review indicate management continues to make progress in implementing outstanding audit recommendations. While we have identified three recommendations that have been outstanding for over five years, management has indicated steps being taken and time frames for their implementation.

## **CONTACT**

---

Jane Ying, Assistant Auditor General, Auditor General's Office  
Tel: (416) 392-8480, Fax: (416) 392-3754, E-Mail: [jane.ying@toronto.ca](mailto:jane.ying@toronto.ca)

Akrivi Nicolaou, Senior Audit Manager (Acting), Auditor General's office  
Tel: (416) 392-0057, Fax: (416) 392-3754, E-Mail: [akrivi.nicolaou@toronto.ca](mailto:akrivi.nicolaou@toronto.ca)

## **SIGNATURE**

---

Beverly Romeo-Beehler  
Auditor General

## **ATTACHMENTS**

---

Attachment 1: City Divisions in Cluster A and the City Manager's Office – Public Recommendations – Fully Implemented

Attachment 2: City Divisions in Cluster A and the City Manager's Office – Public Recommendations – Not Fully Implemented

Attachment 3: City Divisions in Cluster A and the City Manager's Office – Outstanding Recommendations with Potential Cost Savings

Confidential Attachment 1: City Divisions in Cluster A and the City Manager's Office – Confidential Recommendations – Fully Implemented and Not Fully Implemented