

Auditor General's 2017 Consolidated Status Report on Follow-up of Outstanding Audit Recommendations

Date: October 13, 2017

To: Audit Committee

From: Auditor General

Wards: All

SUMMARY

In 2017, in accordance with the new follow-up reporting process, the Auditor General reported to the Audit Committee on the recommendation follow-up results as follows:

March 24, 2017

- City divisions in Cluster A and the City Manager's Office

June 27, 2017

- City divisions in Cluster B
- Agencies and Corporations

October 27, 2017

- City divisions in Cluster C
- Recommendations issued by the Auditor General's Forensic Unit
- Consolidated year-end report

This consolidated year-end report summarizes the 2017 recommendation follow-up results of all City divisions, the City Manager's Office, Agencies and Corporations, and recommendations issued by the Auditor General's Forensic Unit.

Since 1999, the City has made excellent progress implementing the recommendations.

A total of 294 outstanding recommendations were included in the 2017 follow-up review.

Among the 294 recommendations, our review verified that 93 recommendations (31 per cent) have been fully implemented, and 13 recommendations (5 per cent) are no longer applicable. There are 188 recommendations (64 per cent) that remain not fully implemented.

Continued efforts to implement outstanding recommendations will provide additional financial and non-financial benefits to the City and its Agencies and Corporations. These benefits include cost savings, additional revenue, enhanced service delivery, and improved controls.

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

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council receive this report for information.

FINANCIAL IMPACT

There is no financial impact resulting from the adoption of the recommendation 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. The cost savings information is provided in the individual follow-up reports for City divisions in Clusters A, B and C, the City Manager's Office, and Agencies and Corporations.

ISSUE BACKGROUND

Following up on outstanding recommendations is required by Government Auditing Standards, and is important because 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, in accordance with the new follow-up reporting process, the Auditor General reported 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

Audit Committee Meeting	Report of Follow-up Results
March 24, 2017	Cluster A City Manager's Office
June 27, 2017	Cluster B Agencies and Corporations
October 27, 2017	Cluster C Recommendations issued by the 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 reporting process which commenced in 2017, we have completed a review of the implementation status of audit recommendations issued to City divisions in Clusters A, B, and C, the City Manager's Office, and to the Agencies and Corporations. We have also reviewed the status of recommendations issued by the Auditor General's Forensic Unit.

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

1. We provide a list of outstanding audit recommendations to management of the division that was audited.
2. Management responds with information detailing the action taken to implement the recommendations, as well as progress made on those that are not fully implemented.
3. The Auditor General's Office reviews information provided by management to determine the accuracy of management's assertions related to each recommendation. We then assess whether it can be considered fully implemented or is no longer relevant.
4. The Auditor General reports the results of the follow-up review 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

Table 2 below summarizes the implementation status of all applicable recommendations issued by the Auditor General's Office to City divisions in Clusters A, B and C, the City Manager's Office, Agencies and Corporations from inception (January 1999) to December 31, 2015. Recommendations issued by the Auditor General's Forensic Unit are also included in the respective City division's follow-up results. This is an excellent implementation rate and staff are to be commended.

Table 2: 2017 Follow-Up Review Results - Status of all Recommendations for Reports Issued from inception to December 31, 2015

	Fully Implemented	Not Fully Implemented	Total
Cluster A	236 (92%)	21 (8%)	257 (100%)
Cluster B	423 (95%)	21 (5%)	444 (100%)
Cluster C	697 (91%)	71 (9%)	768 (100%)
City Manager's Office	212 (89%)	27 (11%)	239 (100%)
Agencies and Corporations	554 (90%)	61 (10%)	615 (100%)
Total Recommendations	2,122 (91%)	201 (9%)	2,323 (100%)

Table 3 below summarizes the implementation status of outstanding recommendations included in the 2017 follow-up cycle.

Table 3: 2017 Follow-Up Review Results - Status of Outstanding Recommendations for Reports Issued Prior to December 31, 2015

	Fully Implemented	Not Fully Implemented	No Longer Applicable	Total
Cluster A (See Note 1)	1 (5%)	21 (95%)	0	22 (100%)
Cluster B	7 (23%)	22 (71%)	2 (6%)	31 (100%)
Cluster C	56 (41%)	70 (52%)	10 (7%)	*136 (100%)
City Manager's Office (See Note 1)	10 (27%)	27 (73%)	0	**37 (100%)
Agencies and Corporations	19 (28%)	48 (71%)	1 (1%)	68 (100%)
Total Recommendations in this Cycle	93 (31%)	188 (64%)	13 (5%)	294 (100%)

* Includes three recommendations from the Forensic Unit

** Includes two recommendations from the Forensic Unit

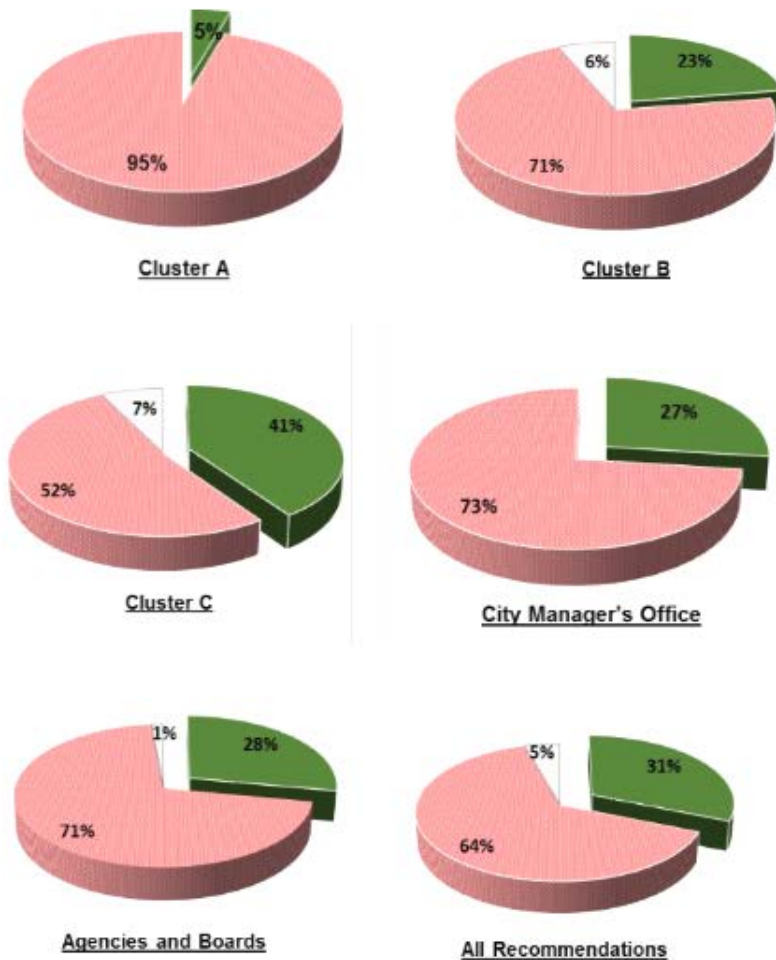
Note 1:

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 occurred only 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.

The percentages of implementation status by Cluster, the City Manager's Office, Agencies and Corporations, as well as all recommendations combined, are illustrated in Figure 1.

Figure 1: Implementation Status by Individual Cluster, City Manager's Office, Agencies and Corporations, and All Recommendations

■ Fully Implemented □ No Longer Applicable ■ Not Fully Implemented



Recommendation follow-up results for divisions in the City Manager's Office and Cluster A were reported to the March 2017 Audit Committee meeting. The report is available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.AU8.10>

Recommendation follow-up results for divisions in Cluster B were reported to the June 2017 Audit Committee meeting. The report is available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.AU9.14>

A consolidated report on recommendation follow-up results for City Agencies and Corporations was submitted to the June 2017 Audit Committee meeting. The report is available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.AU9.13>

A report detailing our follow-up review results of City divisions in Cluster C, and a Forensic Unit Status Report on Outstanding Recommendations are being submitted to the October 27, 2017 Audit Committee meeting.

Recommendations determined as fully implemented or no longer relevant will not be included in the next year's follow-up review. All recommendations reported as not fully implemented will be included in subsequent follow-up reviews until fully implemented.

Many of the City divisions and Agencies and Corporations have undertaken a significant amount of work to implement the audit recommendations. While a number of the audit recommendations have not been fully implemented yet, we recognize that some of our recommended changes require significant system or process changes, hence necessitating a longer timeframe for full implementation.

CONCLUSION

Since 1999, the City of Toronto has made excellent progress implementing recommendations.

In 2017, we reviewed the implementation status of the remaining 294 outstanding recommendations issued to City divisions and Agencies and Corporations. Our follow-up work was carried out throughout the year, and the results were separately reported to the Audit Committee.

This consolidated year-end follow-up report provides a summary of our 2017 follow-up results.

Among the 294 recommendations, our review verified that 93 recommendations (31 per cent) have been fully implemented and 13 recommendations (5 per cent) are no longer applicable. There are 188 recommendations (64 per cent) that remain not fully implemented.

The outstanding recommendations will be included in the next year's follow-up review.

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SIGNATURE

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