

Auditor General's 2017 Status Report on Outstanding Audit Recommendations - City Divisions in Cluster B

Date: June 13, 2017
To: Audit Committee
From: Auditor General
Wards: All

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 B. This report also provides information on the potential cost savings from outstanding audit recommendations relating to Cluster B divisions in response to a motion adopted by the Audit Committee at its July 4, 2016 meeting.

From January 1, 2011 to December 31, 2015, the Auditor General issued 14 reports to City divisions in Cluster B containing a total of 154 recommendations. Four of these recommendations are no longer applicable due to either re-organizations or changes to business practices. Of the remaining 150 recommendations, City divisions in Cluster B have implemented, as of May 2017, 85 per cent or 128 of the applicable recommendations.

A total of 31 outstanding recommendations from divisions in Cluster B were included in the 2017 follow-up review. Among the 31 recommendations, our review verified that seven recommendations (23 per cent) have been fully implemented, 22 (76 per cent) either reported by management or determined by our review as not fully implemented, and two recommendations are no longer applicable.

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

Many of the City divisions in Cluster B have undertaken a significant amount of work to implement the audit recommendations. While a number of the audit recommendations have not been fully implemented, we recognize that some of our recommended

changes require significant system or process changes hence necessitating a longer time frame for full implementation.

We express our appreciation for the co-operation and assistance we received from management and staff of City divisions in Cluster B during this year's follow-up review process.

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.

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 accordance with the Auditor General's 2017 Work Plan, and the new follow-up reporting process commenced in 2017, we have completed a review of the implementation status of audit recommendations issued to Cluster B divisions.

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's 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 B and does not include recommendations relating to divisions in Cluster A, Cluster C, or City Agencies and Corporations.

Recommendation follow-up results for divisions in Cluster A and the City Manager's Office 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>

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

Recommendation follow-up results for Cluster C will be reported to the Audit Committee in October 2017 in accordance with the new follow-up process. 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 31 outstanding recommendations from Cluster B divisions were included in the 2017 follow-up process. Among these 31 recommendations, 19 were reported by management as not fully implemented, 11 were reported by management as fully implemented, and one recommendation was reported no longer applicable.

We assessed the one recommendation reported by management as no longer relevant and verified that it is no longer applicable.

We reviewed the 11 recommendations reported by management as fully implemented and determined that in three 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 review results with management staff before finalizing our decisions, and management staff agreed and have indicated the additional steps they would be undertaking to fully implement the recommendations in future. In addition, one of the 11 recommendations was assessed as no longer applicable as a result of the action taken by the management subsequent to the issuance of the audit report.

Table 1 contains cumulative results for all recommendations contained in 14 reports issued to City divisions in Cluster B during the five-year period from January 1, 2011 to December 31, 2015.

Table 1: Cumulative Results for All Recommendations Contained in 14 Reports Issued Between January 1, 2011 and December 31, 2015

	Number of Recommendations
Total number of recommendations issued from 2011 to 2015	154
Implementation Status as of May 2017	
Fully Implemented	128
Not Fully Implemented	22
No Longer Applicable	4
Fully Implemented as a percentage of total recommendations excluding those no longer applicable	85%

The results of our review indicate that management has fully implemented 128 or 85 per cent of the applicable recommendations made by the Auditor General since January 1, 2011.

Table 2 outlines the 2017 follow-up review results.

Table 2: Results of the 2017 Follow-up Review of Outstanding Recommendations

Division, Report Title and Date	Total Issued	Outstanding From Previous Follow-up Cycle	Results of 2017 Review		
			Fully Implemented	Not Fully Implemented	No Longer Applicable
Toronto Building					
Improving the Quality of Building Inspections (January 2014)	11	8	3	5	-
Building Permit Fees, Improving Controls and Reporting (January 2012)	11	3	-	3	-
Administration of Development Funds, Parkland Levies and Education Development Charges (June 2010)	13	1	1	-	-
Fire Services					
Improving the Administration and Effectiveness of Firefighter Training and Recruitment (September 2013)	32	12	2	9	1
Transportation Services					
Inventory Controls Over Traffic Control Devices in Transportation Services Need to be Improved (April 2012)	9	1	-	1	-
Municipal Licensing & Standards					
Municipal Licensing & Standards, Investigation Services Unit - Efficiencies Through Enhanced Oversight (January 2013)	13	4	-	3	1

Division, Report Title and Date	Total Issued	Outstanding From	Results of 2017 Review		
City Planning					
Community Benefits Secured Under Section 37 or 45 of the Planning Act (March 2011)	7	2	1	1	-
Total	96	31	7	22*	2

*Consists of 19 recommendations originally reported by management as not fully implemented and three recommendations assessed by audit as not fully implemented.

Attachment 1 contains seven recommendations that have been fully implemented by Cluster B divisions as determined by the 2017 follow-up review.

Attachment 2 contains an alphabetical listing by Cluster B division detailing the 22 recommendations that have not been fully implemented, along with management planned actions and time frames.

Attachment 3 contains two recommendations that are no longer applicable along with management comments.

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 future follow-up reviews until they have been implemented.

Outstanding Recommendation with Potential Cost Savings

Of the 22 audit recommendations not fully implemented, one has potential cost savings, and is highlighted in Table 3.

Table 3: Outstanding Recommendation with Potential Cost Savings

No.	Recommendation	Potential Cost Savings
City Planning Division-Community Benefits Secured Under Section 37 or 45 of The Planning Act, March 31, 2011		
01	The Chief Planner assess the status of community benefits secured since amalgamation (January 1, 1998) under Sections 37 and 45 of the Planning Act to provide an appropriate level of assurance that all cash and significant non-cash benefits that should have been received, have been received and report any uncollectible benefits to Council.	As reported in the 2011 audit report entitled "City Planning Division-Community Benefits Secured Under Section 37 or 45 of The Planning Act", according to the City Planning Division's management information system that contains information on cash and non-cash benefits, \$161 million in cash benefits prior to 2008 were secured at the time of the audit. According to staff, \$5.7 million remain outstanding as of June 2017.

CONCLUSION

The results of this review indicate management continues to make progress in implementing outstanding audit recommendations. The outstanding audit recommendations will be included in the next year's follow-up review.

We express our appreciation for the co-operation and assistance we received from management and staff of City divisions in Cluster B during this year's follow-up review process.

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SIGNATURE

Beverly Romeo-Beehler
Auditor General

ATTACHMENTS

Attachment 1: City Divisions in Cluster B – Public Recommendations – Fully Implemented

Attachment 2: City Divisions in Cluster B – Public Recommendations – Not Fully Implemented

Attachment 3: City Divisions in Cluster B – Public Recommendations – No Longer Applicable