

Auditor General's 2018 Status Report on Outstanding Audit Recommendations for City Divisions in Cluster B

Date: June 28, 2018
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 or corporations.

SUMMARY

The Auditor General's Office conducts an annual follow-up review to determine the implementation status of recommendations in previously issued audit reports and reports the results to City Council through the Audit Committee.

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

Our 2018 follow-up review included 34 outstanding recommendations from the following six City divisions in Cluster B:

- City Planning
- Fire Services
- Municipal Licensing & Standards
- Toronto Building
- Toronto Water
- Transportation Services

As of December 31, 2016, there were eight audit reports to divisions in Cluster B with 34 outstanding recommendations. Among the 34 recommendations, our review verified that eight recommendations (24 per cent) have been fully implemented and 26 recommendations (76 per cent) have been partially implemented.

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

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.
2. City Council direct that the confidential information contained in Confidential Attachment 1 remain confidential in its entirety, as it involves the security of property belonging to the City or one of its agencies or corporations.

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>

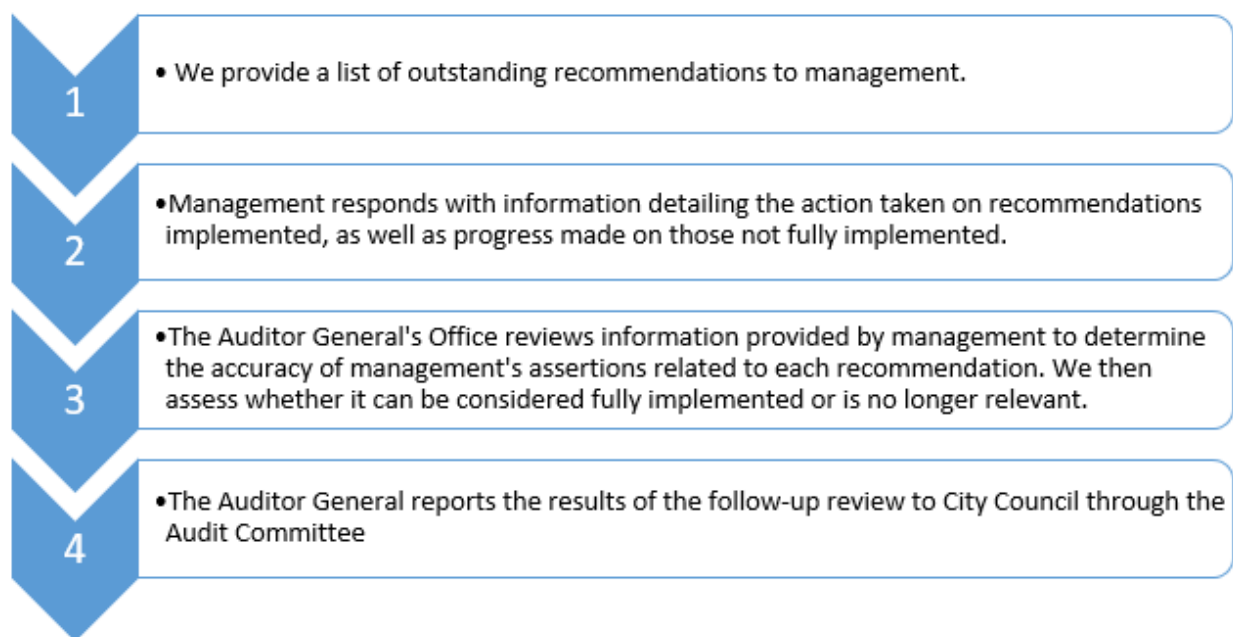
In the aforementioned report, the Auditor General indicated that her Office will incorporate the requested savings information in her 2017 annual follow-up reports to the Audit Committee. The Auditor General also informed the Audit Committee of a new follow-up reporting process piloted in 2017 and 2018.

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 2018 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 City divisions in Cluster B.

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



This report relates 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 February 2018 Audit Committee meeting. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2018/au/bgrd/backgroundfile-111729.pdf>

A consolidated report on recommendation follow-up results for City Agencies and Corporations will be submitted to the July 2018 Audit Committee meeting.

Recommendation 2018 follow-up results for Cluster C, Auditor General's Forensic Unit and the consolidated status report for all City divisions will be submitted to the first Audit Committee meeting in 2019.

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

The 2018 follow-up review included a total of 34 outstanding recommendations for Cluster B divisions. Management reported that 15 recommendations have been fully implemented. However, based on our review, we determined that seven of those recommendations have not been fully implemented because the steps undertaken or the extent of the improvement did not fully address the issue or the intent of the recommendation. Management agreed with our assessments and will undertake additional actions to fully implement these recommendations in the future.

While a number of the recommendations have not been fully implemented, City divisions in Cluster B have undertaken a considerable amount of work to implement the recommendations. The implementation status needs to be considered in conjunction with when the audit report was issued. Recommendations in recently issued audit reports may need more time to be fully implemented. We also recognize that some of the recommended changes require significant system or process changes, hence necessitating a longer period for full implementation. Of the 26 not fully implemented recommendations, 20 are outstanding from the audit reports issued prior to 2015.

Table 1 details the implementation status of outstanding recommendations for City divisions in Cluster B based on the 2018 follow-up review results. The percentages of implementation status per division and summary of Cluster B divisions are illustrated in Figure 1.

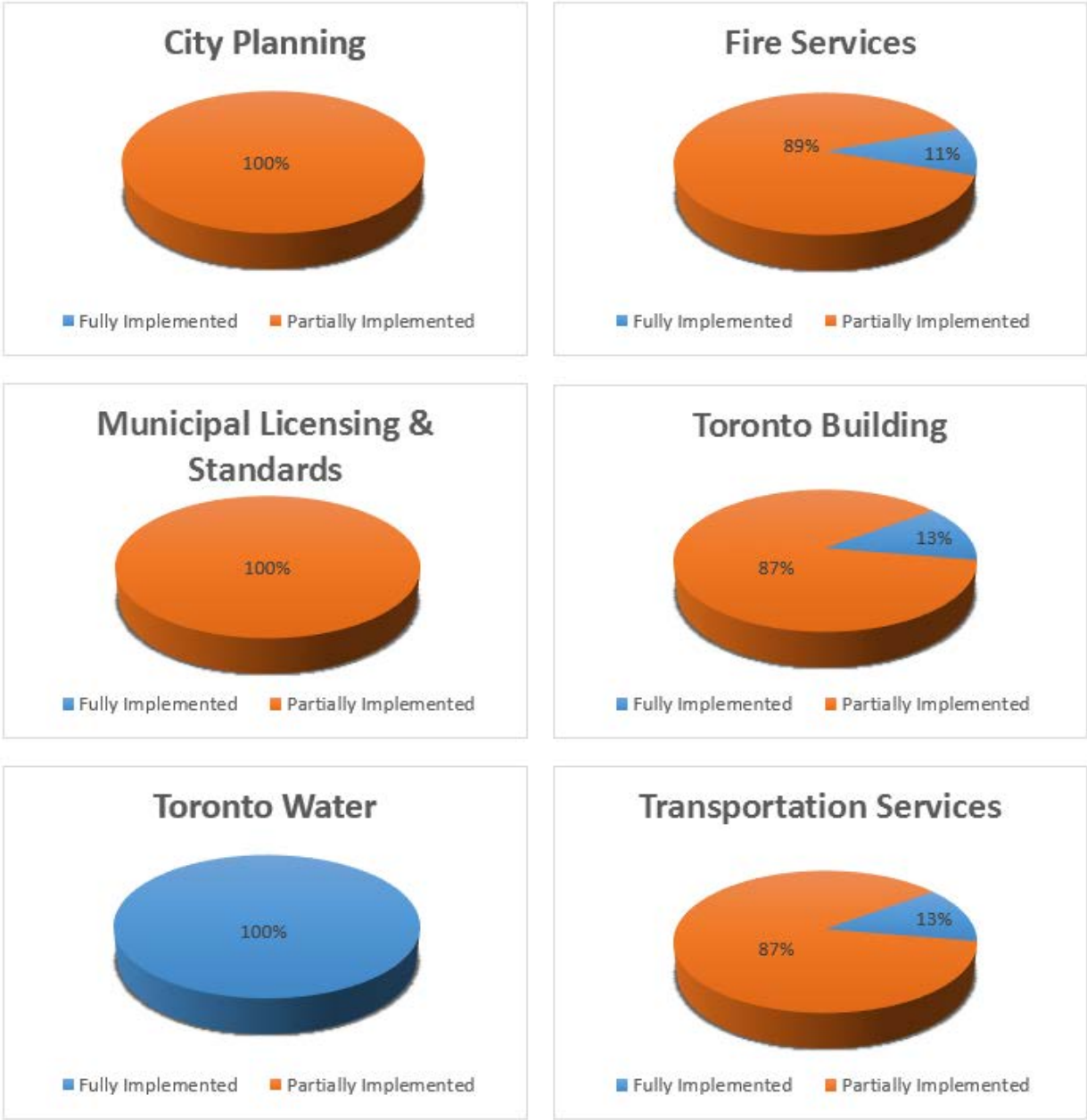
Table 1: Status of Outstanding Recommendations Assessed During 2018 Review

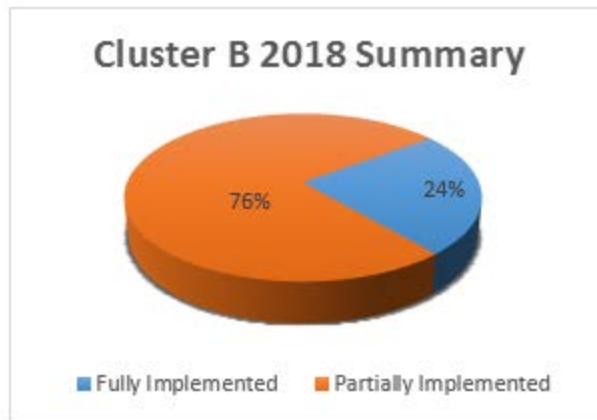
Cluster B Divisions	Outstanding Recommendations from 2017	Results of 2018 Follow-up Review	
		Fully Implemented	Partially Implemented
City Planning	1	0	1
Fire Services	9	1	8
Municipal Licensing & Standards	3	0	3
Toronto Building	8	1	7

Cluster B Divisions	Outstanding Recommendations from 2017	Results of 2018 Follow-up Review	
		Fully Implemented	Partially Implemented
Toronto Water*	5	5	0
Transportation Services	8	1	7
Total	34	8	26

*Confidential audit report results are included in Confidential Attachment 1.

Figure 1: Progress of Recommendation Implementation by Division, 2018 Follow-Up Results





Attachment 1 lists the fully implemented public audit recommendations issued to divisions in Cluster B.

Attachment 2 lists the partially implemented public audit recommendations issued to divisions in Cluster B, along with management's planned actions and time frames.

Confidential Attachment 1 lists the five confidential recommendations that are fully implemented and potential cost saving information.

Recommendations determined as fully implemented or no longer applicable 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 fully implemented.

Noteworthy 2018 Follow-Up Review Results

Audit of Water Billing and Collection – Phase II: Part 2 – Management of Water Supply Contract for the Region of York, October 13, 2016

The 2013 audit reviewed City's water supply contract with the Region of York and the process of determining the billing rate for the supply of water. The five audit recommendations are included in the confidential attachment to the report. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2016/au/bgrd/backgroundfile-97423.pdf>

Management has implemented all five confidential recommendations in the report. According to staff, the implementation of these recommendations may generate an additional annual revenue. Confidential Attachment 1 provides further information regarding the confidential recommendations.

Improving the Tendering Process for Paving Contracts, June 27, 2016

The 2016 audit report contains seven recommendations. The objectives of the audit were to assess whether proper management controls were in place to ensure fair and competitive tendering processes, and whether the City received value for money in acquiring road resurfacing, utility cut, and sidewalk repair contracted services. This report is available at:

<https://www.toronto.ca/legdocs/mmis/2016/au/bgrd/backgroundfile-94704.pdf>

In response to the audit recommendations, Transportation Services has undertaken substantial work in redesigning business processes and updating applicable policies and procedures for contract management. Management has fully implemented one recommendation, and the work is still ongoing for the remaining six recommendations. Management staff advised that they are fully committed to implementing all of the recommendations by next year.

Toronto Fire Services – Improving the Administration and Effectiveness of Firefighter Training and Recruitment, September 16, 2013

The 2013 audit report contains 32 recommendations to improve the overall administration and effectiveness of firefighter training and recruitment processes at Toronto Fire Services. This report is available at:

<https://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-62656.pdf>

As of June 2018, Toronto Fire Services has implemented 22 audit recommendations, two were verified as no longer applicable and eight recommendations were verified as not fully implemented. Management's efforts are currently underway to implement the outstanding recommendations. According to staff, the implementation of five outstanding recommendations is complicated by the potential introduction of the new Regulations under the Fire Protection and Prevention Act.

Outstanding Recommendation with Potential Cost Savings

City Planning - Community Benefits Secured Under Section 37 or 45 of the Planning Act, March 31, 2011

The 2011 audit report contains seven recommendations to improve the administration of community benefits secured under Sections 37 and 45 of the Planning Act. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2011/au/bgrd/backgroundfile-37765.pdf>

Over the years, management has fully implemented six recommendations and one recommendation continues to be outstanding. This recommendation relates to ensuring that cash and non-cash benefits secured since amalgamation have been received and the uncollectable benefits have been reported to Council.

In our follow-up review last year, City Planning reported \$5.7 million in outstanding cash benefits was to be collected from developers. Since then, management was able to identify 16 development properties with outstanding cash benefits owing to the City. In collaboration with the City Legal Services Division, City Planning was able to collect approximately \$2.1 million from eight development properties. The collection of cash benefits for the remaining eight developments have been referred to City Legal Services.

CONCLUSION

Among the 34 recommendations included in the 2018 follow-up review, we verified that eight recommendations (24 per cent) have been fully implemented, 26 recommendations (76 per cent) remain partially implemented from five divisions in Cluster B.

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.

CONTACT

Jane Ying, Assistant Auditor General, Auditor General's Office
Tel: 416-392-8480, Fax: 416-392-3754, E-Mail: Jane.Ying@toronto.ca

Angela Rafalovich, Audit Manager, Auditor General's Office
Tel: 416-397-4622, Fax: 416-392-3754, E-Mail: Angela.Rafalovich@toronto.ca

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 – Partially Implemented

Confidential Attachment 1 - Auditor General's 2018 Status Report on Outstanding Audit Recommendations – City Divisions in Cluster B