

Auditor General's 2018 Consolidated Status Report on Follow-up of Outstanding Audit Recommendations

Date: February 6, 2019

To: Audit Committee

From: Auditor General

Wards: All

SUMMARY

This consolidated year-end report summarizes the 2018 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.

The report provides the status of audit recommendations issued prior to December 31, 2016. A total of 323 outstanding recommendations were included in the 2018 follow-up review.

Among the 323 recommendations, our review verified that 72 recommendations (22 per cent) have been fully implemented, and 20 recommendations (6 per cent) are no longer applicable. There are 231 recommendations (72 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 Auditor General indicated that her Office will incorporate the requested savings information in her 2017 annual follow-up reports to the Audit Committee. The report is available at:

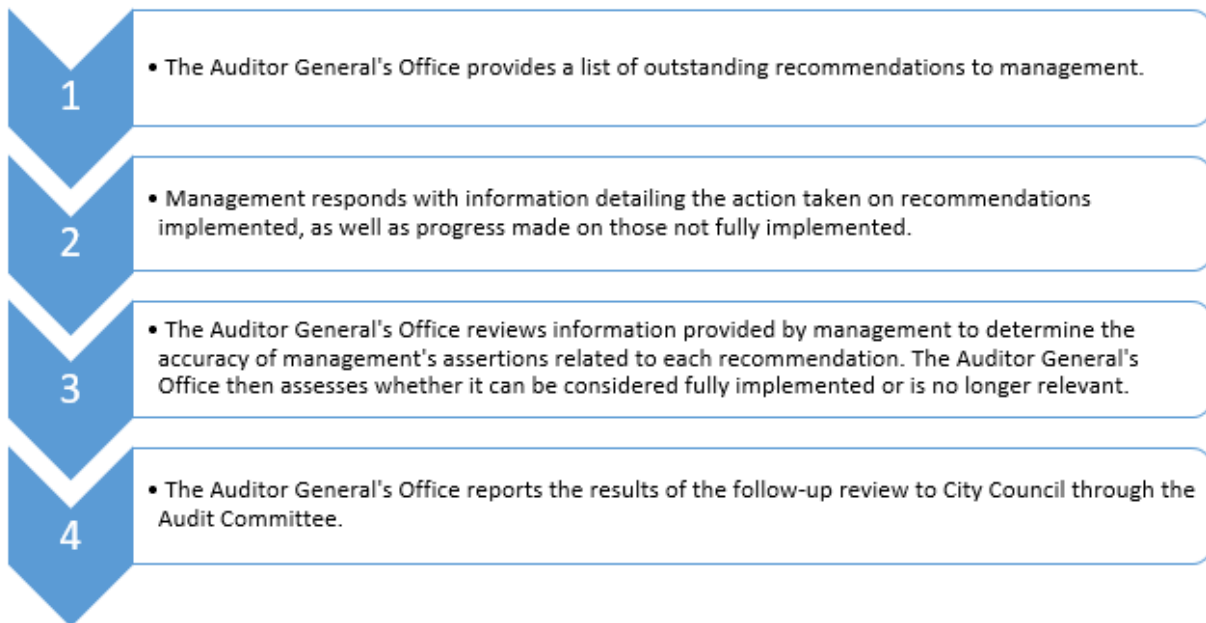
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.AU7.9>

ISSUE BACKGROUND

The follow-up of outstanding recommendations is required by Government Auditing Standards. The process is important as it ensures that management has taken appropriate action to implement the recommendations from previous audit reports. 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, the City Manager's Office, and Agencies and Corporations. We have also reviewed the status of recommendations issued by the Auditor General's Forensic Unit.

Figure 1: The Key Steps in the Recommendation Follow-Up Process



This audit was conducted in accordance with generally accepted government auditing standards. The 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 the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

COMMENTS

Table 1 summarizes the implementation status of all applicable recommendations issued by the Auditor General's Office to City divisions, the City Manager's Office, and Agencies and Corporations from inception (January 1999) to December 31, 2016.

Recommendations issued by the Auditor General's Forensic Unit are also included in the respective City division's follow-up results.

Table 1: 2018 Follow-Up Review Results - Status of all Recommendations for Reports Issued from inception to December 31, 2016

	Fully Implemented	Not Fully Implemented	Total
Community and Social Services (Former Cluster A)	246 (95%)	12 (5%)	258
Infrastructure and Development (Former Cluster B)	431 (94%)	26 (6%)	457
Corporate Services (Former Cluster C)	370 (83%)	74 (17%)	444
Finance and Treasury Services (Former Chief Financial Officer)	352 (85%)	62 (15%)	414
City Manager's Office	225 (90%)	26 (10%)	251
Agencies and Corporations	565 (91%)	59 (9%)	624
Total Recommendations	2189 (89%)	259 (11%)	2448

Table 2 below summarizes the implementation status of outstanding recommendations included in the 2018 follow-up cycle. Although the City divisions and Agencies and Corporations have made good progresses in implementing the outstanding audit recommendations, our review determined that out of all outstanding recommendations included in the 2018 follow-up cycle only 22 per cent were implemented.

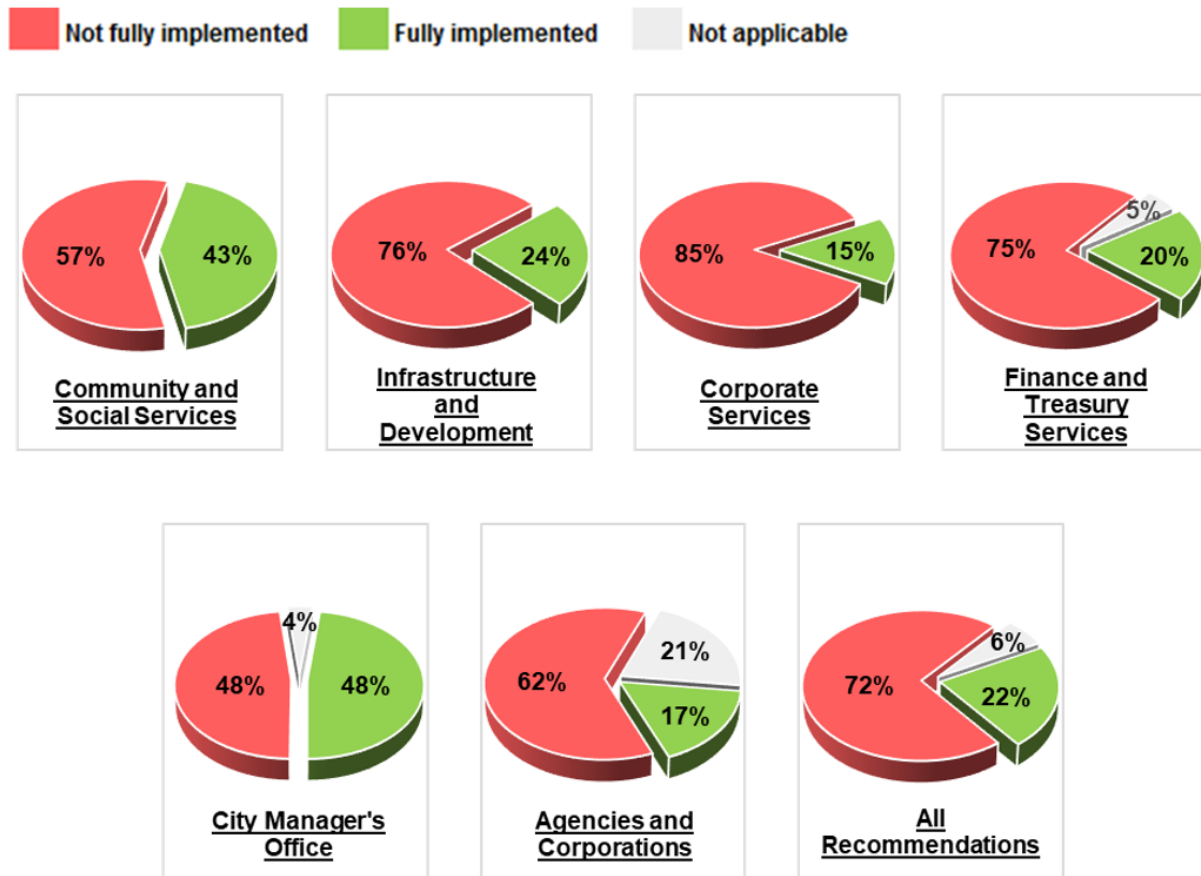
Table 2: 2018 Follow-Up Review Results - Status of Outstanding Recommendations for Reports Issued Prior to December 31, 2016

	Fully Implemented	Not Fully Implemented	No Longer Applicable	Total
Community and Social Services	9 (43%)	12 (57%)	0	21
Infrastructure and Development	8 (24%)	26 (76%)	0	34
Corporate Services	13 (15%)	74 (85%)	0	87
Finance and Treasury Services *	17 (20%)	62 (75%)	4 (5%)	83
City Manager's Office	13 (48%)	13 (48%)	1 (4%)	27
Agencies and Corporations	12 (17%)	44 (62%)	15 (21%)	71
Total Recommendations in this Cycle	72 (22%)	231 (72%)	20 (6%)	323

* Includes one recommendation from the Forensic Unit

The percentages of implementation status by City divisions in Community and Social Services, Infrastructure and Development, Corporate Services, Finance and Treasury Services, the City Manager's Office, Agencies and Corporations, as well as all recommendations combined, are illustrated in Figure 2.

Figure 2: Implementation Status by Individual Areas, City Manager's Office, Agencies and Corporations, and All Recommendations



Recommendation follow-up results for divisions in the City Manager's Office and Community and Social Services 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>

Recommendation follow-up results for divisions in Infrastructure and Development were reported to the July 2018 Audit Committee meeting. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2018/au/bgrd/backgroundfile-117926.pdf>

A consolidated report on recommendation follow-up results for City Agencies and Corporations was submitted to the June 2018 Audit Committee meeting. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2018/au/bgrd/backgroundfile-117941.pdf>

A report detailing our follow-up review results of City divisions in Corporate Internal Services and Finance and Treasury Services, and a Forensic Unit Status Report on Outstanding Recommendations are being submitted to the February 22, 2019 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, City divisions and Agencies and Corporations have made excellent progresses implementing recommendations.

In 2018, we reviewed the implementation status of the remaining 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 2018 follow-up results.

Among the 323 recommendations, our review verified that 72 recommendations (22 per cent) have been fully implemented and 20 recommendations (6 per cent) are no longer applicable. There are 231 recommendations (72 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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