

Auditor General's Response to the Audit Committee's Request on the Outstanding Audit Recommendations Which Are of Greatest Concern

Date: April 16, 2019
To: Audit Committee
From: Auditor General
Wards: All

REASON FOR CONFIDENTIAL INFORMATION

The attachment to this report involves the security of property belonging to the City of Toronto.

SUMMARY

At its February 22, 2019 meeting, a motion was adopted by the Audit Committee requesting the Auditor General to report to the May 3, 2019 Audit Committee meeting on the outstanding audit recommendations which are of greatest concern to the Auditor General. This report provides the requested information.

Among the 227 outstanding audit recommendations, 30 were identified as high priority using the following criteria:

- Significant amount of potential savings
- Significant health and safety risk
- Significant reputation risk

In addition, 60 recommendations from 25 audit reports have remained outstanding for five years or longer since the related report was issued.

The high-priority and long-outstanding recommendations are listed in Attachments 1 and 2, and in Confidential Attachment 1 by the Service Group under each Deputy City Manager and the Chief Financial Officer and Treasurer.

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 of Toronto.

FINANCIAL IMPACT

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

DECISION HISTORY

In 2017, the Auditor General piloted a new follow-up process for her recommendations. A dedicated team of staff conducts follow-up reviews on a year-round basis, and the results for each Service Group are separately reported to the Audit Committee. We found the pilot to be more efficient, and it allows for timelier reporting of follow-up results to the Audit Committee. The new process has since been implemented.

The Auditor General's 2018 follow-up reports for City divisions by Service Group are available as follows:

Community and Social Services and City Manager's Office

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

Infrastructure and Development Services

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

Corporate Services and Chief Financial Officer and Treasurer

<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-124549.pdf>

Consolidated Year-end Status Report

<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-124610.pdf>

The 2019 follow-up review will include all open recommendations issued as of December 31, 2017. Table 1 outlines the 2019 follow-up review schedule.

Table 1: 2019 Follow-Up Review and Reporting Schedule

City Service Group	2019 Follow-up Review Status	Audit Committee Meeting
City Manager Office	Completed	May 3, 2019
Community and Social Services	Completed	May 3, 2019
Infrastructure and Development Services	In-progress	June 28, 2019
Corporate Services	Q2 2019	October 25, 2019
Chief Financial Officer and Treasurer	Q2 2019	October 25, 2019
Agencies and Corporations	In progress	June 28, 2019

COMMENTS

On an annual basis, the Auditor General reviews the implementation status of outstanding recommendations in previously issued audit and investigation reports. The results of the review are reported to City Council through the Audit Committee.

In each follow-up report, the Auditor General highlights noteworthy recommendations, such as those that have been persistently delayed in implementation and those that have resulted in significant financial or non-financial benefits after implementation.

In response to the Audit Committee's request, this report summarizes the high-priority outstanding recommendations issued to City divisions. The status of audit recommendations issued to Agencies and Corporations will be reported to the June 28, 2019 Audit Committee meeting.

Recommendations contained in 2017 audit reports to divisions in Infrastructure and Development Services, Corporate Services and Chief Financial Officer and Treasurer and recommendations in recently issued 2018 reports have not yet been followed up by our Office and are excluded from the high-priority list. The Auditor General's follow-up protocol allows divisions at least one full year to implement the audit recommendations from the Council approval date. The follow-up review of new audit recommendations will commence in Q2 2019 and continue through 2020.

While all audit recommendations are important and should be implemented in a timely manner, we identified 30 high-priority outstanding recommendations. Timely implementation of these recommendations could potentially result in significant cost savings, and avoid health and safety, or reputation risks to the City.

The detailed listing of the high-priority and long-outstanding audit recommendations is provided in Attachments 1 and 2, and in Confidential Attachment 1 as follows:

City Service Group	Attachment 1	Attachment 2
	High-Priority Outstanding Recommendations	Audit Recommendations Remain Outstanding for Five Years or Longer
Community and Social Services	0	10 (3 reports)
Infrastructure and Development Services	1	16 (5 reports)
Corporate Services and Chief Financial Officer and Treasurer	29 (10 reports) (Confidential Attachment 1)	34 (17 reports)

It is worth noting that 29 (25 from public reports and four from confidential reports) of the 30 high-priority recommendations are from reports issued to divisions in Corporate Services, and divisions reporting to the Chief Financial Officer and Treasurer. These recommendations relate to revenue collection, IT or facility security, or employee health benefits, all of which are considered high-impact by the Auditor General.

The 29 recommendations to Corporate Services and the Chief Financial Officer and Treasurer include:

- Revenue Services - 16 recommendations
- Information and Technology - 5 recommendations
- Facilities Management - 5 recommendations
- Pension, Payroll and Employee Benefits - 3 recommendations.

Conclusion

In response to the request by the Audit Committee, we provided lists of outstanding audit recommendations that are of the greatest concern to the Auditor General. These include 30 high-priority recommendations and 60 long-outstanding recommendations. Timely efforts to implement these outstanding recommendations will provide financial and non-financial benefits such as cost savings, additional revenues, risk avoidance, enhanced service delivery and improved controls.

CONTACT

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SIGNATURE

Beverly Romeo-Beehler
Auditor General

ATTACHMENTS

Attachment 1 - High Priority Outstanding Recommendations Identified By the Auditor General

Attachment 2 - Audit Recommendations Remain Outstanding for Five Years or Longer

Confidential Attachment 1 - High Priority Outstanding Confidential Audit Recommendations for City Divisions in Corporate Services