

## **Auditor General's 2019 Status Report on Outstanding Audit Recommendations for City Agencies and Corporations**

**Date:** June 3, 2019

**To:** Audit Committee

**From:** Auditor General

**Wards:** All

### **REASON FOR CONFIDENTIAL INFORMATION**

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The attachment to this report deals with a proposed or pending acquisition of land by the Toronto Parking Authority Board.

### **SUMMARY**

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The Auditor General's Office conducts an annual follow-up review to determine the implementation status of recommendations in previously issued audit and investigation reports. This report provides information regarding the implementation status of recommendations issued to City agencies and corporations. The review results are reported to the respective Board of City agencies and corporations and then to City Council through the Audit Committee.

Our 2019 follow-up review included 96 outstanding recommendations from the following three City agencies and corporations:

- TO Live\*
- Toronto Parking Authority
- Toronto Transit Commission

\*The report to the Board of Directors of TO Live relates to recommendations from an audit of the Sony Centre for the Performing Arts.

As of December 31, 2017, there were 13 audit reports to agencies and corporations with 96 outstanding recommendations. Among the 96 recommendations, our review verified that 19 recommendations have been fully implemented, 61 recommendations have been partially implemented, and three recommendations are no longer applicable.

The Auditor General has decided that the 13 recommendations arising from the 2015 audit of Toronto Parking Authority (TPA) real estate activities will no longer be included in her annual follow up process. Although, the recommendations are still relevant, as a result of the adoption of the City-wide real estate model, TPA no longer carries out real estate transactions on an independent basis. Given the extent of changes being made to the TPA real estate operations, the Auditor General would need to conduct an entirely new audit to be able to have a reasonable basis to form conclusions to confirm that the recommendations have been implemented.

Continued efforts to implement all outstanding recommendations will provide additional benefits to City agencies and corporations such as cost savings, additional revenue and enhanced service delivery. The remaining 61 outstanding recommendations will be included in the next year's follow-up review together with the 37 recommendations included in audit reports issued to these agencies and corporations in 2018.

Detailed results of our individual follow-up reviews of City agencies and corporations, as presented to their respective Boards, are enclosed as Attachments 1 through 3 and the Confidential Attachment 1. These reports provide further details regarding their respective recommendations and current implementation status.

We express our appreciation for the co-operation and assistance we received from the management and staff of City agencies and corporations.

## **RECOMMENDATIONS**

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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 to the report dated May 31, 2019 remain confidential in its entirety, as it pertains to a proposed or pending acquisition of land by the Toronto Parking Authority Board.

## **FINANCIAL IMPACT**

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

## **DECISION HISTORY**

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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:

<https://www.toronto.ca/legdocs/mmis/2016/au/bgrd/backgroundfile-97434.pdf>

At the 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.

In response to the motion, the Auditor General presented a report entitled "*Auditor General's Response to the Audit Committee's Request on the Outstanding Audit Recommendations Which Are of Greatest Concern*" to the Audit Committee at its May 3, 2019 meeting. The report summarizes the outstanding recommendations issued to City divisions and is available at:

<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-132161.pdf>

At the May 3, 2019 City Audit Committee meeting, a motion was made to "*Request the Auditor General to continue to bring forward to each meeting of the Audit Committee, a list of outstanding recommendations she considers to be a high priority*".

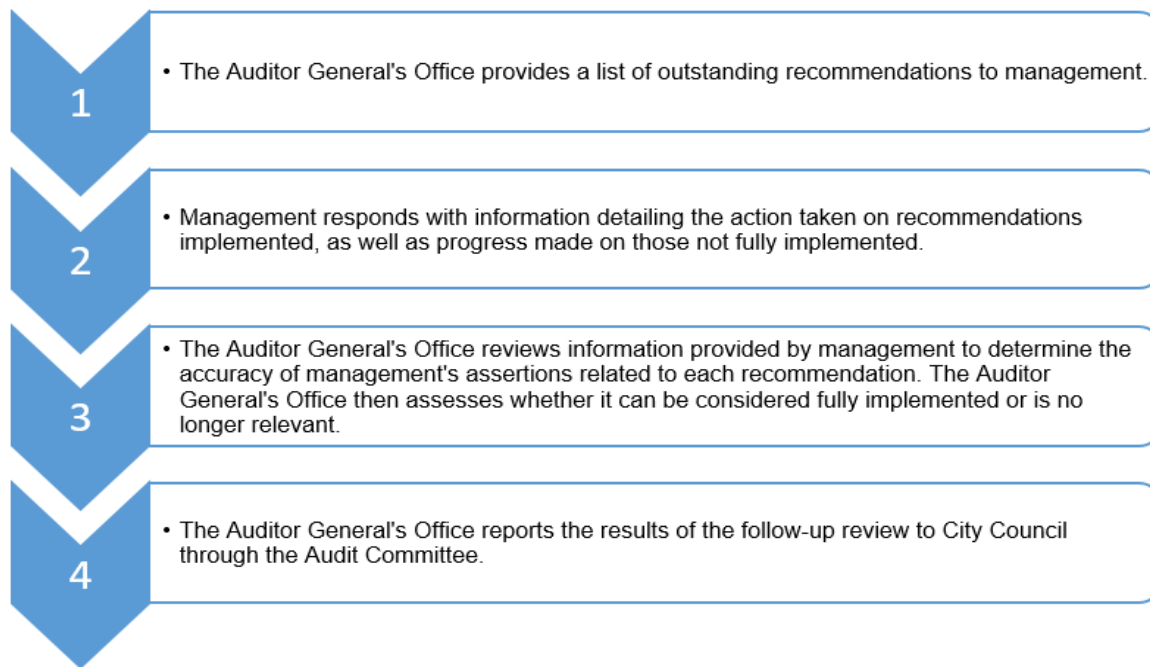
## **ISSUE BACKGROUND**

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The follow-up of outstanding audit 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 2019 Work Plan, we have completed a review of the implementation status of audit recommendations issued to City agencies and corporations.

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



The previous Auditor General's status reports on outstanding audit recommendations for City Agencies and Corporations are at:

- <https://www.toronto.ca/legdocs/mmis/2018/au/bgrd/backgroundfile-117941.pdf>
- <https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-105097.pdf>
- <https://www.toronto.ca/legdocs/mmis/2016/au/bgrd/backgroundfile-94486.pdf>

## COMMENTS

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A total of 96 outstanding audit and investigation recommendations were included in the 2019 follow-up review. Management reported that 32 have been fully implemented. However, based on our review we determined that 13 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.

Table 1 details the implementation status of the outstanding recommendations included in the 2019 follow-up cycle.

**Table 1: Status of Outstanding Recommendations Assessed During 2019 Review**

Agencies & Corporations	Total No. of Recs.	Results of 2019 Follow-up Review				
		Outstanding Recs. from Previous Follow-up Review	Fully Implemented	Not Fully Implemented	No Longer Applicable	Excluded from Follow up Review
<b>TO Live*</b>	12	6	4	1	1	0
<b>Toronto Parking Authority</b>	33	30	8	7	2	13**
<b>Toronto Transit Commission</b>	103	60	7	53	0	0
<b>Total</b>	<b>148</b>	<b>96</b>	<b>19 (20%)</b>	<b>61 (64%)</b>	<b>3 (3%)</b>	<b>13 (13%)</b>

\*The report to the Board of Directors of TO Live relates to recommendations from an audit of the Sony Centre for the Performing Arts.

\*\*Although, the 13 recommendations are still relevant, as a result of the adoption of the City-wide real estate model, TPA no longer carries out real estate transactions on an independent basis. Given the extent of changes being made to the TPA real estate operations, the Auditor General would need to conduct an entirely new audit to be able to have a reasonable basis to form conclusions to confirm that the recommendations have been implemented.

Table 2 summarizes the implementation status of all recommendations issued by the Auditor General's Office to agencies and corporations from inception (January 1999) to December 31, 2017.

**Table 2: Status of Recommendations Issued from Inception to December 31, 2017**

Agencies and Corporations	Total No. of Recs.	Fully Implemented	Not Fully Implemented	No Longer Applicable	Excluded from Follow up Review
<b>Create TO</b>	25	11	0	0	14*
<b>Invest Toronto</b>	2	1	0	1	0
<b>Toronto Atmospheric Fund</b>	16	15	0	1	0
<b>Toronto Community Housing Corporation</b>	80	77	0	3	0
<b>TO Live**</b>	13	10	1	2	0

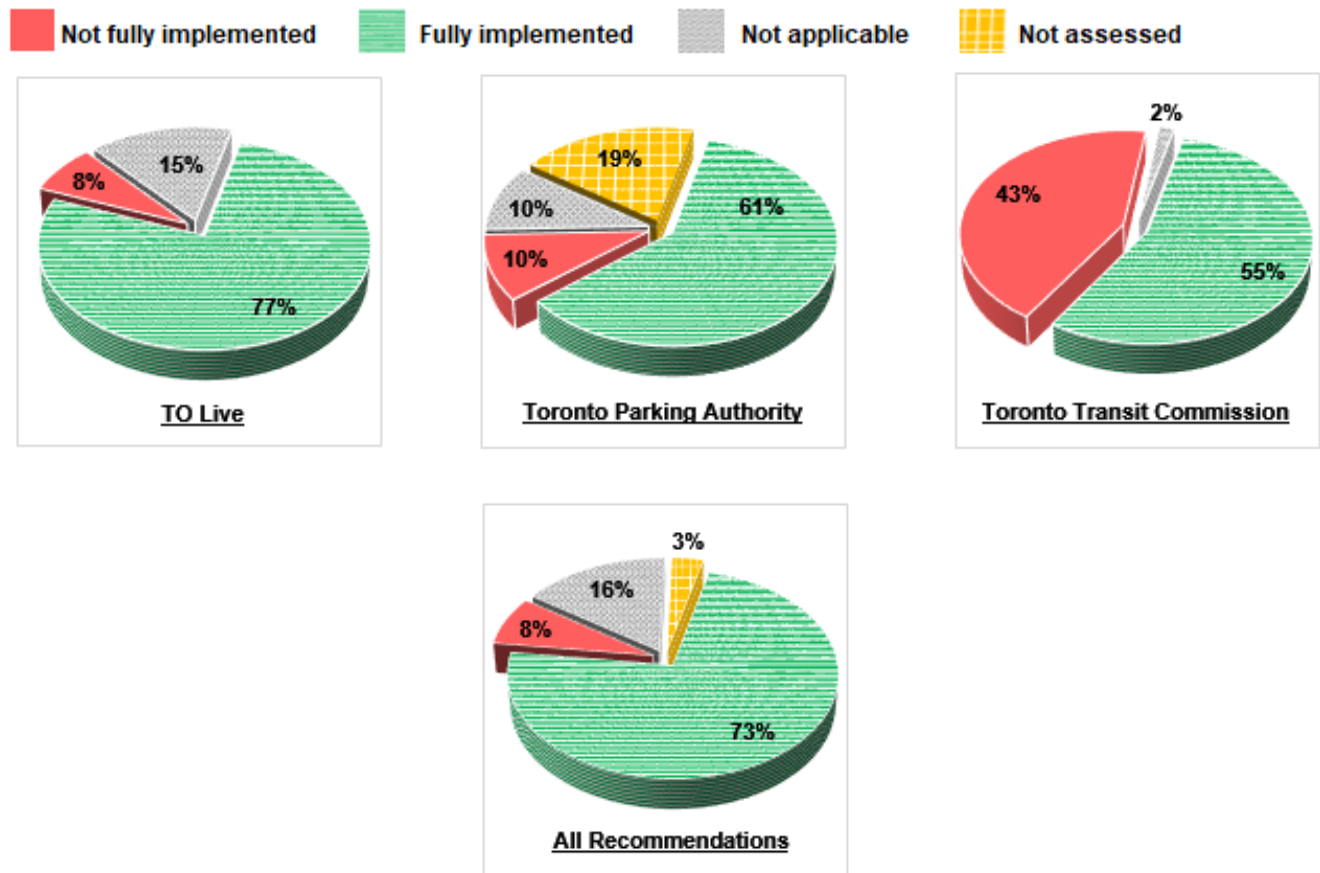
<b>Agencies and Corporations</b>	<b>Total No. of Recs.</b>	<b>Fully Implemented</b>	<b>Not Fully Implemented</b>	<b>No Longer Applicable</b>	<b>Excluded from Follow up Review</b>
<b>Toronto Public Health</b>	53	49	0	4	0
<b>Toronto Public Library</b>	37	35	0	2	0
<b>Toronto Parking Authority</b>	68	41	7	7	13
<b>Toronto Police Service</b>	322	227	0	95	0
<b>Toronto Port Authority</b>	11	6	0	5	0
<b>Toronto Transit Commission</b>	123	68	53	2	0
<b>Toronto Zoo</b>	49	44	0	5	0
<b>Total</b>	<b>799</b>	<b>584 (73%)</b>	<b>61 (8%)</b>	<b>127 (16%)</b>	<b>27 (3%)</b>

\*The operations of Build Toronto have been consolidated into the new agency Create TO. Although the 14 recommendations are still relevant, given the extent of the reorganization, the Auditor General would need to conduct an entirely new audit to be able to have a reasonable basis to form conclusions to confirm that the recommendations have been implemented.

\*\*The report to the Board of Directors of TO Live relates to recommendations from an audit of the Sony Centre for the Performing Arts.

The percentages of implementation status for City agencies and corporations included in the 2019 follow-up review and the overall implementation status by agencies and corporations from inception to December 31, 2017 are illustrated in Figure 1.

**Figure 1: Recommendations Implementation Status for TPA, TO Live, TTC and for all Recommendations Issued to Agencies and Corporations from Inception to December 31, 2017**



In each follow-up report, the Auditor General highlights noteworthy recommendations, such as those that have resulted in financial or non-financial benefits after implementation. The noteworthy recommendations for TPA and TTC are included in the individual reports enclosed as Attachments 1 and 3.

In response to a motion adopted by the Audit Committee at its February 22, 2019 meeting, the TTC follow-up report also includes the high-priority outstanding recommendations such as those that could potentially result in significant cost savings, and avoid health and safety, or reputation risks to the City after implementation. While all audit recommendations are important and should be implemented in a timely manner, we identified high-priority outstanding recommendations from the following five reports issued to the TTC:

- Review of Toronto Transit Commission Bus Maintenance and Shops Department, Phase One: Bus Maintenance and Warranty Administration, 2014
- Review of Toronto Transit Commission Bus Maintenance and Shops Department, Phase Two: Non-Revenue Fleet and Equipment Management and Maintenance, 2015
- Continuous Controls Monitoring Program - Toronto Transit Commission, Employee Overtime and Absenteeism, 2016

- Review of Toronto Transit Commission Procurement Policies and Practices: Improving Materials Management and Purchasing Policies Can Potentially Result in Significant Savings, 2017
- Review of Toronto Transit Commission Accounts Payable Functions: Improving Invoice Verification and Vendor Account Management, 2017

The TTC 2019 follow-up report with management comments and action plan are included in Attachment 1.

## **CONCLUSION**

Management continues to make progress in implementing outstanding recommendations. A number of fully implemented and partially implemented recommendations have resulted in significant cost savings for the agencies and corporations. The outstanding recommendations will be included in the next year's follow-up review.

## **CONTACT**

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## **SIGNATURE**

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Beverly Romeo-Beehler  
Auditor General

## **ATTACHMENTS**

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Attachment 1: Toronto Transit Commission - 2019 Results of Follow-up of Previous Audit Recommendations

Attachment 2: TO Live - 2019 Results of Follow-up of Previous Audit Recommendations

Attachment 3: Toronto Parking Authority - 2019 Results of Follow-up of Previous Audit Recommendations

Confidential Attachment 1: Toronto Parking Authority - 2019 Results of Follow-up of Previous Audit Recommendations