

## **Auditor General's 2019 Consolidated Status Report on Outstanding Audit Recommendations**

**Date:** October 10, 2019

**To:** Audit Committee

**From:** Auditor General

**Wards:** All

### **SUMMARY**

---

This consolidated year-end report summarizes the 2019 audit recommendations follow-up results for all City divisions, the City Manager's Office, Agencies and Corporations, and recommendations issued by the Auditor General's Forensic Unit.

The number of audit recommendations implemented by management over the past year was low. The City divisions, the City Manager's Office and Agencies and Corporations implemented 18 per cent of the outstanding recommendations during this year's follow-up process.

A total of 392 recommendations were included in this follow-up review and we verified that 71 recommendations have been fully implemented, and 10 recommendations are no longer applicable. There are 311 recommendations that remain not fully implemented.

During the current follow-up process management reported that 172 out of 392 recommendations have been implemented. However, based on our review, we determined that 101 (59 per cent) 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 or management was not able to provide sufficient evidence of actions taken. A significant amount of work is required to verify implementation of recommendations, and in circumstances where recommendations are not implemented, it is a waste of audit resources.

Recommendations implemented in 2019, resulted in savings and revenue increases. As a result of management actions, the City achieved approximately \$3.1 million in one time savings and approximately \$2.8 million in annual recurring savings. Details of savings identified during the current follow up cycle are provided in Attachment 1.

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.

## **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 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**

---

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 follow up process is carried out through the year, and the results are separately reported to the Audit Committee.

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 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.

Recommendation follow-up results for divisions in the City Manager's Office and Community and Social Services were reported to the May 3, 2019 Audit Committee meeting. The report is available at:

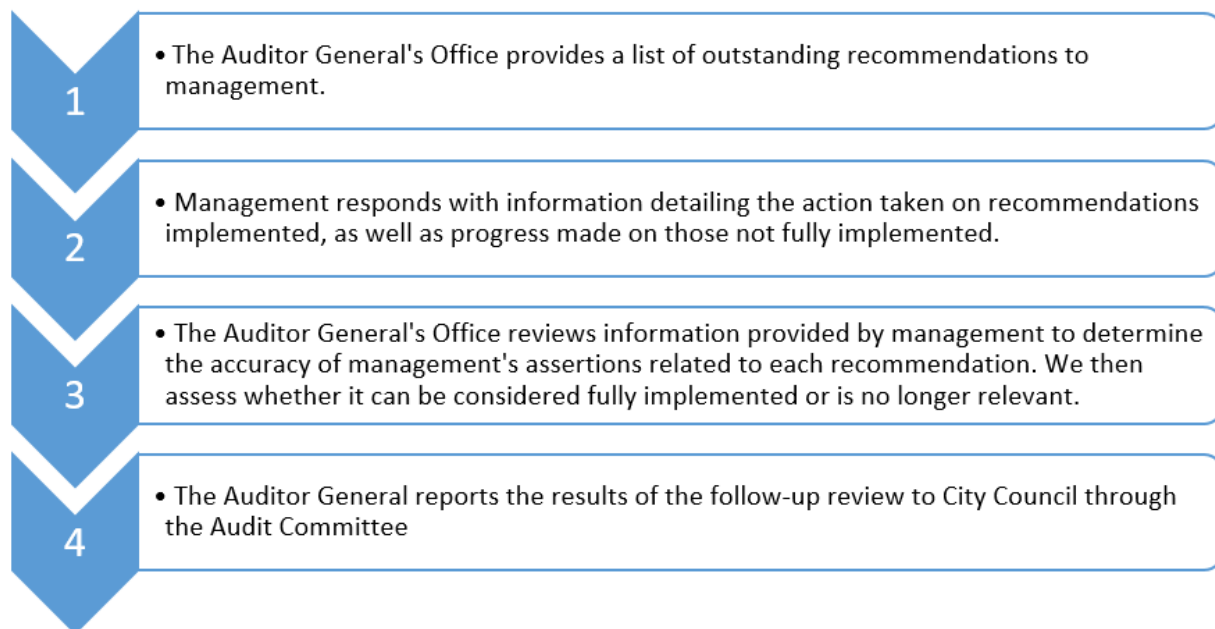
<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-132157.pdf>

Recommendation follow-up results for divisions in Infrastructure and Development a consolidated report on recommendation follow-up results for City Agencies and Corporations were reported to the June 28, 2019 Audit Committee meeting. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-134757.pdf>  
<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-134739.pdf>

Reports detailing our follow-up review results for City divisions in Corporate Services and Finance and Treasury Services and the Forensic Unit Status Report on outstanding recommendations are being submitted to the October 25, 2019 Audit Committee meeting.

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



Our follow-up process, as summarized in Figure 1, requires divisional management to review the outstanding audit recommendations and provide information on their implementation status. For recommendations reported as not fully implemented we do not conduct audit work. For recommendations reported as implemented or no longer applicable, management is required to explain why the recommendation is considered fully implemented or no longer applicable and provide sufficient and relevant supporting documentation. The Auditor General's Office conducts audit work to verify the status of these recommendations.

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**

---

A total of 422 outstanding recommendations were included in the 2019 follow-up review. The report provides the status of audit recommendations issued between 2005 and 2017.

Of the 422 outstanding audit recommendations, 13 recommendations from the 2015 audit of Toronto Parking Authority real estate activities will no longer be included in the annual follow up process. Although, the recommendations are still relevant, given the extent of changes being made to the TPA real estate operations, the Auditor General would need to conduct a new audit to be able to have a reasonable basis to form conclusions to confirm that the recommendations have been implemented. In addition, the follow-up of the 17 recommendations from the 2017 audit of Toronto Building Division processes for issuing and monitoring conditional permits was deferred due to an investigation that was in process at the time of this follow-up review.

Of the remaining 392 recommendations, our review verified that 71 recommendations have been fully implemented and 311 recommendations have been partially implemented, and 10 recommendations are no longer applicable.

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

Table 1 shows the implementation status of the 392 outstanding recommendations for all City divisions, the City Manager's Office, Agencies and Corporations, and recommendations issued by the Auditor General's Forensic Unit.

**Table 1: Status of Audit Recommendations Assessed in 2019 Follow-up Review**

City Service Groups and Agencies and Corporations	Fully Implemented	Not Fully Implemented	No Longer Applicable	Total
City Manager's Office	8	17	1	26
Community and Social Services	1	11	0	12
Corporate Services	11	84	1	96
Finance and Treasury Services*	13	95	3	111
Infrastructure and Development Services**	19	43	2	64
Agencies and Corporations	19	61	3	83
<b>Total Recommendations in this Cycle</b>	<b>71 (18%)</b>	<b>311 (79%)</b>	<b>10 (3%)</b>	<b>392</b>

\* Includes one recommendation from the Forensic Unit

\*\* Includes 11 recommendations from the Forensic Unit

Table 2 summarizes the implementation status of audit 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, 2017. Recommendations implementation status is illustrated in Figure 2.

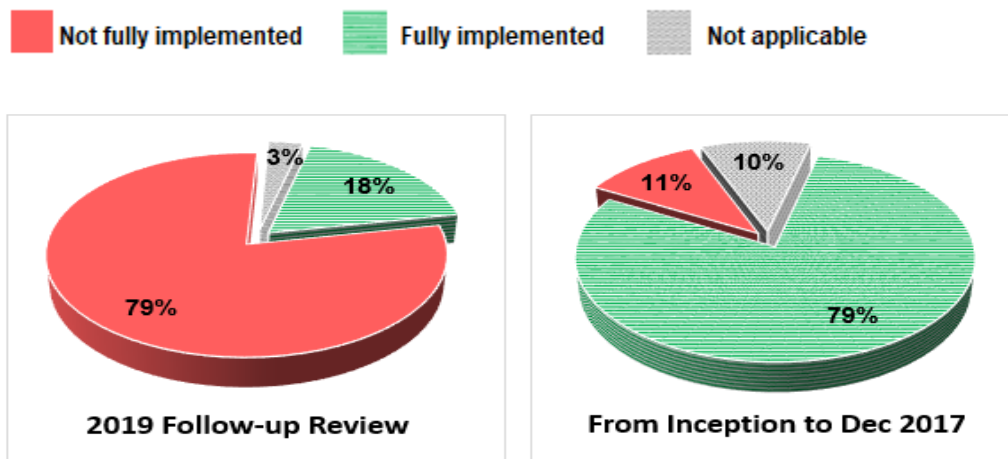
**Table 2: Status of Audit Recommendations Issued from Inception to December 31, 2017**

City Service Groups and Agencies and Corporations	Fully Implemented	Not Fully Implemented	No Longer Applicable	Total
Community and Social Services	247	11	33	291
Infrastructure and Development *	450	43	18	511
Corporate Services	382	84	35	501
Finance and Treasury Services	365	95	37	497
City Manager's Office	233	17	35	285
Agencies and Corporations **	584	61	127	772
<b>Total Recommendations</b>	<b>2261 (79%)</b>	<b>311 (11%)</b>	<b>285 (10%)</b>	<b>2857</b>

\* Follow-up of 17 recommendations (Toronto Building Division) deferred due to an on-going investigation

\*\* 27 recommendations (13 recommendations issued to Toronto Parking Authority - reported in 2019 Follow up, and 14 issued to Build Toronto - reported in 2018 Follow up) will no longer be included in the follow-up process due to operational and organizational changes.

**Figure 2: Recommendations Implementation Status**



The current audit follow up included recommendations issued up to December 31, 2017. The Auditor General had made an additional 315 recommendations in the audit reports issued after December 31, 2017. These recommendations were not included in this follow-up process in order to provide management with adequate time to take appropriate action to implement the recommendations.

## **CONCLUSION**

In 2019, we reviewed the implementation status of the outstanding audit recommendations issued to City divisions, the City Manager's Office and Agencies and Corporations from audit reports issued up to December 31, 2017. Our follow-up work was carried out throughout the year, and the results were separately reported to the Audit Committee.

Overall, the City divisions, the City Manager's Office and Agencies and Corporations implemented 18 per cent of the outstanding recommendations during this year's follow-up review.

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.

## **CONTACT**

---

Syed Ali, Audit Director, IT & Strategy, Auditor General's Office  
Tel: 416 392-8438, Fax: 416-392-3754, E-Mail: [syed.ali@toronto.ca](mailto:syed.ali@toronto.ca)

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

## **SIGNATURE**

---

Beverly Romeo-Beehler  
Auditor General

Attachment 1: Summary of Achieved Savings - 2019 Consolidated Follow-Up Report