

Management Update on the Implementation Status of Outstanding Auditor General Recommendations (City- Wide)

Date: January 23, 2020

To: Audit Committee

From: City Manager

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 meeting on June 28, 2019, the Audit Committee directed staff to report back on a process to track and report the progress on management's implementation and target completion date of outstanding recommendations, with emphasis on those identified by the Auditor General as items of greatest concern.

As requested by the City Manager, Internal Audit compiled a database of all outstanding council approved recommendations issued to management by the Auditor General which included recommendations from audits, investigations, Fraud and Waste Hotline reports and those added by Council.

Updates were solicited from management on the implementation status of the recommendations throughout November and December 2019. This report provides statistics related to the status of implementation as asserted by management and detailed action taken on the implementation of recommendations of greatest concern. There are 785 recommendations outstanding for Agencies, Corporations and City divisions up to and including recommendations tabled at the October 25, 2019 Audit Committee meeting. Within the 785 recommendations, 144 have been deemed of greatest concern by the Auditor General.

Table 1: Recommendations Expected to be Implemented by Year End

Recommendation Status*	Total	Percentage	Of Greatest Concern	Percentage
Implemented	172	22%	24	17%
No Longer Applicable	11	1%		
To be Implemented by Year End 2020	441	56%	92	64%
Total	624	79%	116	81%
Total Outstanding Recommendations	785		144	

* Recommendation status is as assessed by management and was not validated by Internal Audit. The status of recommendations can only be changed to implemented upon assessment and validation by the AG.

Summarized in Table 1 above, management has asserted that 183 or 23% of the 785 total outstanding recommendations have already been implemented or are no longer applicable, which includes 24 or 17% of the 144 recommendations of greatest concern. A further 441 or 56% of the total outstanding recommendations are expected to be implemented by the end of 2020, which includes 92 or 64% of the recommendations of greatest concern.

Therefore, by the end of 2020 it is expected that 624 or 79% of the 785 total outstanding recommendations and 116 or 81% of the 144 recommendations of greatest concern will be implemented.

RECOMMENDATIONS

The City Manager recommends that:

1. City Council receive this report for information.
2. City Council request the City Manager to provide an updated report be provided at scheduled Audit Committee Meetings.
3. City Council direct that the confidential information contained in Confidential Appendix 4 remain confidential in its entirety, as it involves the security of property belonging to the City of Toronto.

FINANCIAL IMPACT

The information contained in this report has no financial impact.

DECISION HISTORY

On June 28, 2019, Audit Committee passed a motion to report to the October 25, 2019 meeting of the Audit Committee on a process to track and report on a quarterly basis, progress on management's implementation and target completion date of outstanding audit recommendations, with emphasis on those identified by the Auditor General as items of greatest concern.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.AU3.10>

Internal Audit provided a report back to Audit Committee on October 25, 2019 outlining the process to track and monitor outstanding Council Approved Auditor General Recommendations.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.AU4.12>

Audit Committee requested for the City Manager to report back to the Audit Committee in Q1 2020 with an update on the implementation of all outstanding audit recommendations in all City Divisions and the City's Agencies and Corporations, with the report to include detailed plans and timelines for the implementation of all recommendations not yet fully implemented.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.AU4.10>

On October 25, 2019 the Chief Executive Officer, Toronto Transit Commission provided the "Audit, Risk and Compliance: Progress and Strategies to Address Toronto Transit Commission's "High Priority" Outstanding Recommendations" report to Audit Committee.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.AU4.16>

COMMENTS

Background

At its meeting on June 28, 2019, the Audit Committee directed staff to report back on a process to track and report the progress on management's implementation and target completion date of outstanding recommendations, with emphasis on those identified by the Auditor General (AG) as items of greatest concern. The process was presented at the October 25, 2019 Audit Committee and this is the first report to result from this process.

Monitoring Process

In a new innovative process, unique to the City of Toronto and considered a best practice, the Internal Audit division (IA) will monitor management's progress on the implementation of outstanding AG council approved recommendations. Senior Leadership and Division heads will be required to report on progress in each reporting cycle and results will be provided to regularly scheduled Audit Committee meetings,

approximately three times a year. The goals of implementing this new process is to provide the following value:

- Enhancing Senior Leadership Team and Division Heads awareness of outstanding recommendations;
- Ensuring divisions are held accountable for the timely implementation of recommendations;
- Providing data to allow for a risk based approach to implementation;
- Lead to the achievement of cost savings identified in a timely manner; and
- Highlighting recommendations with multiple accountabilities or affect multiple divisions to support increased collaboration.

Utilizing reports tabled at Audit Committee, IA developed an Excel database of all outstanding council approved AG recommendations. The database includes outstanding recommendations from audits, investigations, Fraud and Waste Annual reports and recommendations added by Council. As at October 25, 2019, the database holds 785 outstanding recommendations. 144 of these are deemed of greatest concern i.e. high priority or outstanding more than 5 years as determined by the AG.

In November 2019, IA provided spreadsheets to each division outlining their outstanding recommendations. As this process is above and beyond the work already performed by the AG during her quarterly follow up reviews, IA wanted to keep the process simple to reduce duplicative effort and increase receptiveness to the new process. To decrease cumbersome information requirements and to permit statistical reporting to Audit Committee, divisions were requested to provide the following updates for each outstanding recommendation back to Internal Audit through the selection of pre-set options:

- Percentage of completion;
- Expected implementation date;
- Reason for change to implementation date; and
- For recommendations deemed of greatest concern by the AG, a detailed narrative of the action taken or to be taken to implement.

The responses provided are management's assessment of progress, and the accuracy of those responses were not validated by IA. Recommendations must be assessed by the AG, only after this assessment can the status of a recommendation be changed.

To enable effective monitoring this report highlights progress on recommendations shown through separate statistics for total outstanding recommendations and recommendations of greatest concern. Such as:

- Number per Service Area and Division;
- Length of Time Outstanding;
- Percentage of Completion;
- Recommendations by Expected Implementation Date; and
- Reasons for changes to implementation dates.

The report also provides detailed action taken on 100 recommendations identified as of greatest concern by the AG (high priority or outstanding for over 5 years) in Appendix 3 and Confidential Appendix 4. At the October 25, 2019 Audit Committee meeting, the

Toronto Transit Commission (TTC) provided a detailed update on the other 44 recommendations of greatest concern, therefore these are not repeated in this report. This report focuses on the 100 recommendations of greatest concern that relate to City Divisions.

Results of Tracking and Monitoring Process

The status of the recommendations used for this process was as at the previous Audit Committee meeting, October 25, 2019, and does not include new recommendations and changes to recommendation status included in AG reports tabled in the meeting this report is tabled.

Currently, there are 785 outstanding recommendations tracked in the IA database, of which 53 have been outstanding for greater than 5 years and 91 have been deemed high priority by the Auditor General. Table 2 below provides the details of the 785 outstanding recommendations by Service Area and broken down more specifically in Appendix 1 by Agency, Corporation or Division.

Table 2: Outstanding Auditor General Recommendations by Service Area

Service Area	> 5 years	High Priority	Other	Total
Agencies and Corporations		44	145	189
City Manager's Office			15	15
Community and Social Services	10		127	137
Corporate Services	22	16	178	216
Finance and Treasury Services	9	29	90	128
Infrastructure and Development	12	2	86	100
Total	53	91	641	785

It is important to note that 73% of the outstanding recommendations relate to the three most recent years, as shown in Table 3 below. The five (5) oldest recommendations have remained outstanding since 2005 (14 years), as indicated in Table 3 and Table 4.

These recommendations stem from the 2005 Maintenance and Administrative Controls Review within Corporate Real Estate Management. Details related to management's progress on these recommendations is provided on pages seven (7) and eight (8) of Appendix 3 – Recommendations of Greatest Concern Not Fully Implemented. Management has assessed that these recommendations are approximately 50% implemented and will be fully implemented by Q4 2022. These recommendations require collaboration from multiple divisions thereby increasing the complexity of implementation.

Table 3: Outstanding Auditor General Recommendations by Age of Report

Report Year	Agencies and Corporations	City Manager's Office	Community and Social Services	Corporate Services	Finance and Treasury Services	Infrastructure and Development	Total
2005				5			5
2008				4			4
2009			2		1		3
2010				5			5
2011				3		1	4
2012	2			6	7	4	19
2013			8	1	1	7	17
2014	14	4	1	5	1	4	29
2015	10	6		7	12		35
2016	10			35	45	1	91
2017	29			16	40	47	132
2018	37		64	70		32	203
2019	87	5	62	59	21	4	238
Total	189	15	137	216	128	100	785

Recommendations of greatest concern, as shown in Table 4, were identified in the "Auditor General's Response to the Audit Committee's Request on the Outstanding Audit Recommendations Which Are of Greatest Concern" report to Audit Committee in May 2019. Further additions are identified during the AG follow up process, and as a result are only noted for reports issued up to 2017. In 2020, the AG will include reports issued in 2018 to the follow up process. As a result, recommendations outstanding from 2014 will be added to the over 5 year's category and certain recommendations from the 2018 reports may be deemed high priority.

Table 4: Outstanding Auditor General Recommendations of Greatest Concern by Age of Report

Report Year	Agencies and Corporations	Community and Social Services	Corporate Services	Finance and Treasury Services	Infrastructure and Development	Total
2005			5			5
2008			4			4
2009		2		1		3
2010			5			5
2011			3		1	4
2012			4	7	4	15
2013		8	1	1	7	17
2014	7				1	8
2015	10		2	2		14
2016	1		8	15		24
2017	26		6	12	1	45
Total	44	10	38	38	14	144

Recommendations made by the AG can result from many different types of reviews or investigations. Appendix 2 details the Council Added recommendations included in the IA database. The AG performs a follow up review by Service Area on all types of recommendations issued, with the exception of Council Added recommendations. IA has included these 47 recommendations in our database, and will track and monitor managements progress on implementation. As a result, for Council Added recommendations, IA will be required to validate management's actions to ensure these recommendations have been implemented.

Based on responses provided, summarized in Table 5 below, management believes that 441 or 56% of outstanding recommendations will be implemented by the end of 2020. Also, included in the 239 recommendations with no expected implementation date provided, 172 are deemed by management as already fully implemented, and 11 are no longer applicable as shown in Chart 1. Therefore, management has assessed 183 or 23% of total recommendations as currently implemented and another 56% to be implemented by the end of the year for a total of 79% by the end of 2020.

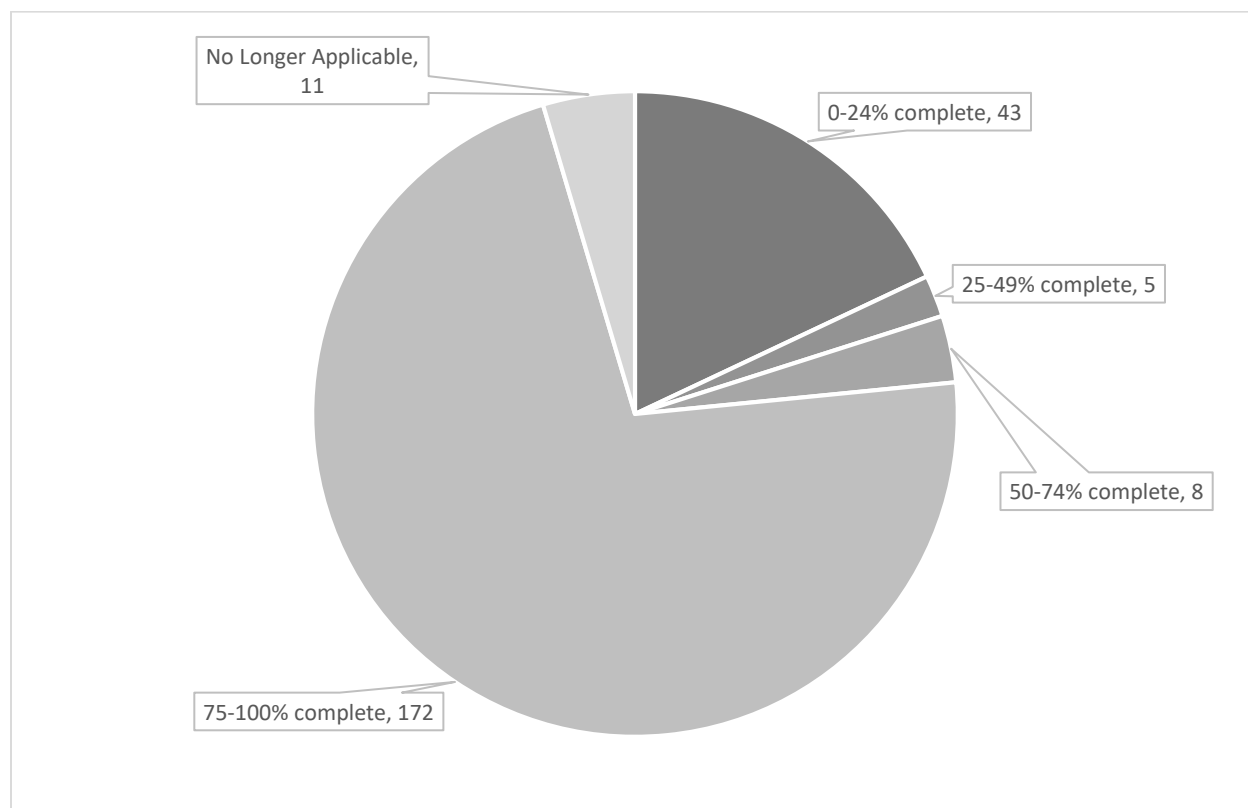
The five (5) recommendations that have expected implementation dates in 2025 and beyond, all relate to reports issued in 2019. Three (3) of the recommendations were added by Council, included in Appendix 2. One recommendation requires the implementation of a system to complete and two relate to the expanding scope of work and a centralized model for Fleet Services. Management has cited that the complexity of implementation had an impact on the expected implementation date.

Table 5: All Recommendations by Expected Implementation Date

	Agencies and Corporations	City Manager's Office	Community and Social Services	Corporate Services	Finance and Treasury Services	Infrastructure and Development	Total
Q4 2019				1			1
Q1 2020	32	3	28	43	29	41	176
Q2 2020	19	2	16	23	22	15	97
Q3 2020	3	1	1	20	17	7	49
Q4 2020	24	3	19	51	15	6	118
Q1 2021			13	9	4		26
Q2 2021	4	1	3	12	1	2	23
Q3 2021				2	1		3
Q4 2021	3	1	5	9	10	1	29
Q1 2022				6			6
Q2 2022						1	1
Q4 2022				4			4
Q1 2023			1				1
Q4 2023			2	2			4
Q1 2024				1			1
Q4 2024			1			1	2
Q4 2025			2				2
2025 +	1			2			3
No Date Provided*	103	4	46	31	29	26	239
Total	189	15	137	216	128	100	785

*Management did not provide expected implementation dates for 239 recommendations. As noted above, 172 are considered already implemented and 11 are no longer applicable. For the majority of the remaining 56, shown in Chart 1 below as between 0 and 74% complete, the reports were tabled at the most recent Audit Committee meeting and management has yet to determine an implementation plan.

Chart 1: Breakdown of Recommendations with No Expected Implementation Date



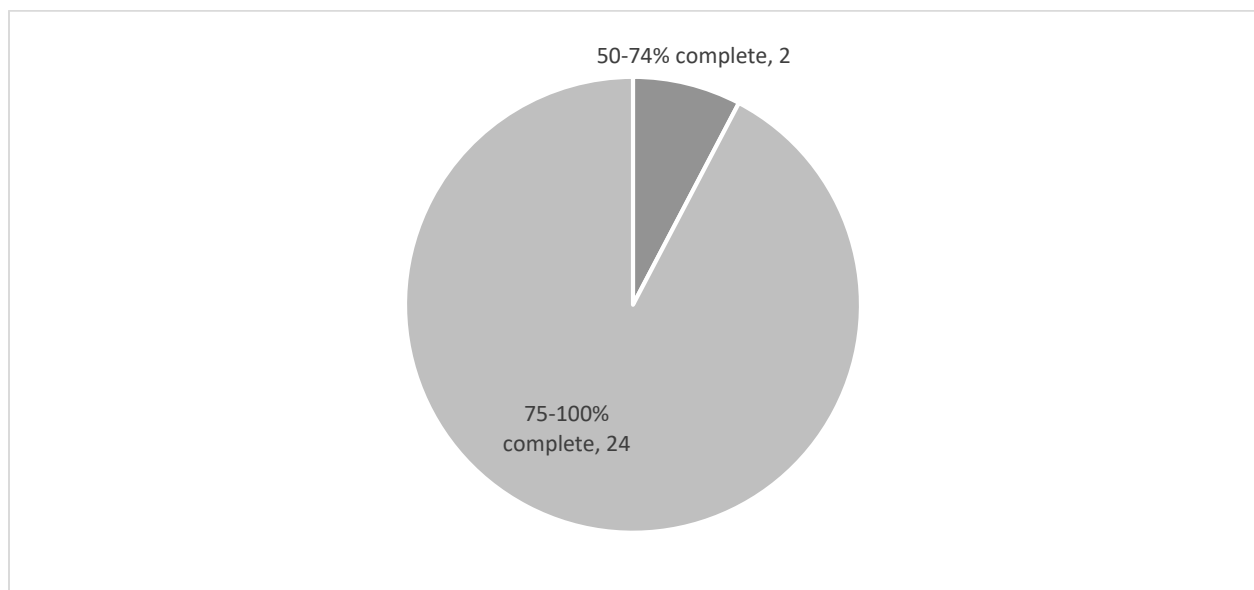
Analysis of responses provided, summarized in Table 6 below, shows management believes that 92 or 64% of outstanding recommendations of greatest concern will be implemented by the end of 2020. Also, included in the 26 recommendations with no expected implementation date, 24 are deemed by management as already fully implemented, noted in Chart 2 as 75-100% complete. Therefore, management has assessed 24 or 17% of total recommendations of greatest concern as currently implemented and another 64% to be implemented by the end of the year. For a total of 81% implemented by the end of 2020.

Table 6: Recommendations of Greatest Concern by Expected Implementation Date

	Agencies and Corporations	Community and Social Services	Corporate Services	Finance and Treasury Services	Infrastructure and Development	Total
Q4 2019			1			1
Q1 2020	10	4	6	9	10	39
Q2 2020	2	1	2	4	1	10
Q3 2020				9	3	12
Q4 2020	8	1	13	8		30
Q1 2021			1	2		3
Q2 2021	1	3	5			9
Q4 2021			2	4		6
Q1 2022			2			2
Q4 2022			4			4
Q4 2023			2			2
No Date Provided *	23	1		2		26
Total	44	10	38	38	14	144

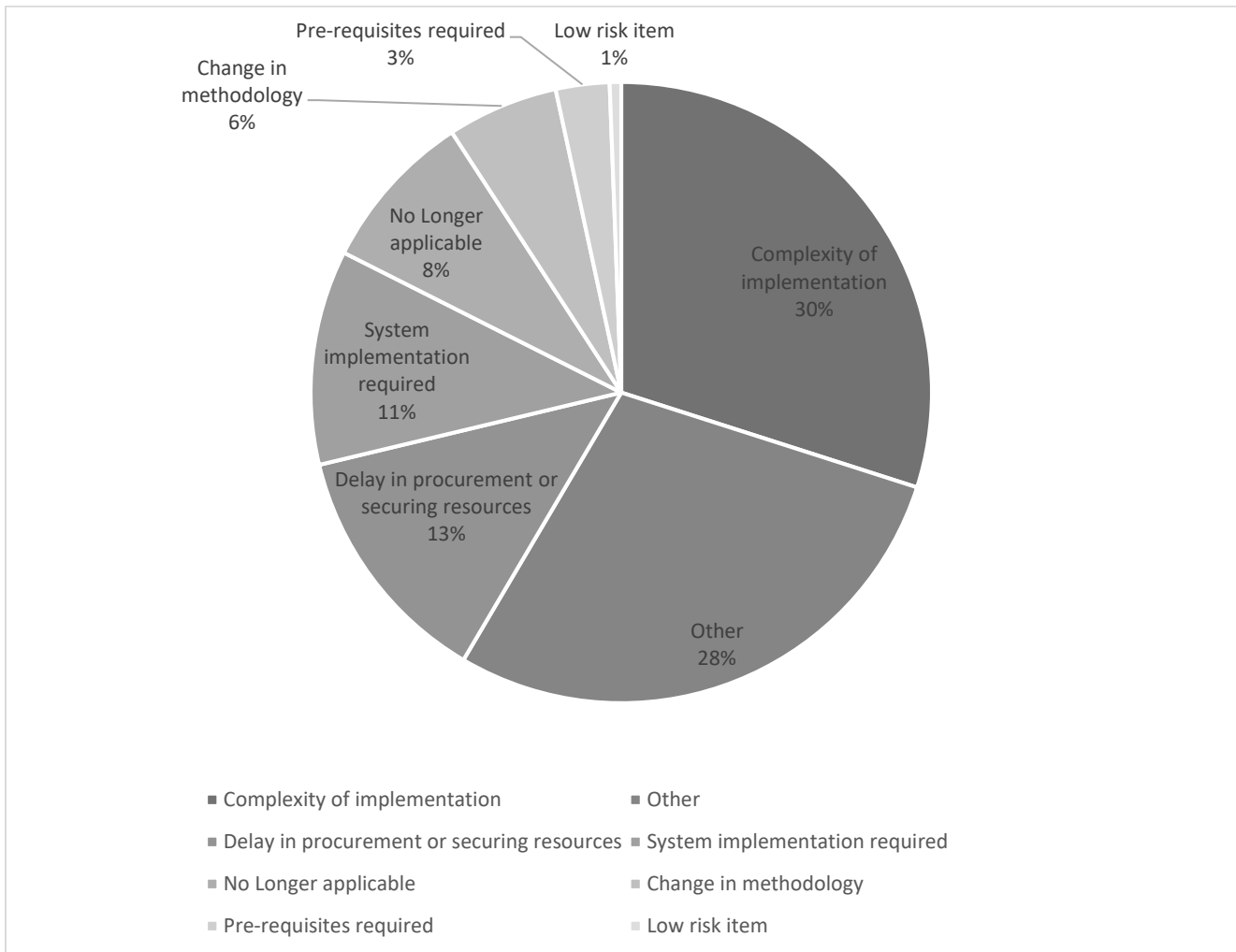
*Management did not provide expected implementation dates for 26 recommendations. As noted above, 24 are considered already implemented, noted as 75-100% complete in Chart 2 below.

Chart 2: Breakdown of Recommendations with no Expected Implementation Date



As part of the status update process, management was to provide explanations for why expected implementation dates have changed or implementation of recommendations have been delayed. As shown in Chart 3 below, the majority of responses cited complexity of implementation as the main reason. Expected implementation dates provided during this first status update will be used as the baseline moving forward. In the next update process, IA will be analyzing changes to these dates and highlighting within the report where implementation dates have slipped. The information for reasons will be tied to these slippages to determine themes and areas of concern.

Chart 3: Reasons for Changes to Expected Implementation Date



The majority of recommendations, 337 or 43% have been assessed by management as nearing or at completion, shown as 75-100% complete in Table 7. In comparison, in Table 5, management assessed that 360 or 46% of total outstanding recommendations have been implemented, are no longer applicable or will be implemented by Q2 2020. For 197 or 25% of total recommendations, work has just begun on implementation. Considering approximately 238 or 30% of recommendations were issued in 2019 as noted in Table 3 above, this seems reasonable.

Table 7: All Recommendations by Percentage of Completion

	0-24% complete	25-49% complete	50-74% complete	75-100% complete	No Longer Applicable	Grand Total
Agencies and Corporations	72	16	13	82	6	189
City Manager's Office	2	2	2	9		15
Community and Social Services	42	24	11	57	3	137
Corporate Services	53	42	56	64	1	216
Finance and Treasury Services	20	25	27	53	3	128
Infrastructure and Development	8	13	7	72		100
Total	197	122	116	337	13	785
Percentage of Total	25%	15%	15%	43%	2%	100%

The majority, 76 or 53%, of recommendations of greatest concern have been assessed by management as nearing or at completion, shown as 75-100% complete in Table 8. In comparison, in Table 6 management assessed that 74 or 51% of total outstanding recommendations of greatest concern have been implemented or will be implemented by Q2 2020. 45 or 31% of recommendations were issued in 2017, as shown in Table 4, which relates to the 44 that are less than 50% complete.

Table 8: Recommendations of Greatest Concern Percentage of Completion

	0-24% complete	25-49% complete	50-74% complete	75-100% complete	No Longer Applicable	Grand Total
Agencies and Corporations	6	3	4	31		44
Community and Social Services		3		7		10
Corporate Services	10	8	12	8		38
Finance and Treasury Services	4	8	7	18	1	38
Infrastructure and Development		2		12		14
Total	20	24	23	76	1	144
Percentage of Total	14%	17%	16%	53%		100%

Process Changes:

To enable continuous improvement, IA has documented lessons learned from the initial status update process. To improve efficiency and effectiveness of the process, several changes will be made to the status update gathering process, such as, updated headings in the spreadsheets for improved clarity and improved instructions for providing updates. Also, recommendations will be sent directly to the division accountable, not to the division report lead as performed by the AG.

During the 2019 AG follow-up process, the AG highlighted in her consolidated report that *"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."*

To improve accountability and acceptance of implementation by the AG, Internal Audit will perform an assessment of management actions taken or planned will be performed on a sample of recommendations of greatest concern prior to each Audit Committee meeting. This will entail:

- Determining whether action taken or to be taken will address the recommendation;
- Reviewing supporting information to validate that actions have been taken as stated; and
- Outlining what further action is needed to ensure full implementation of the recommendation.

This assessment is meant to enhance divisional understanding of requirements to fully implement recommendations and over time, lead to decreased numbers of reversals of implementation status by the AG.

Results of this assessment will be included as part of this report starting with the June 22, 2020 Audit Committee meeting.

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SIGNATURE

Chris Murray
City Manager

ATTACHMENTS

Appendix 1: Outstanding Recommendations by Agency, Corporation or Division

Appendix 2: Council Added Recommendations

Appendix 3: Action Plans for Recommendations noted as High Priority and Outstanding for Greater than 5 years by the AG

Appendix 4: Confidential: Action Plans for Confidential Recommendations noted as High Priority and Outstanding for Greater than 5 years by the AG