

Auditor General's Follow-up of the Outstanding Recommendations - New Improved Automated Process

Date: October 8, 2020
To: Audit Committee
From: Auditor General
Wards: All

SUMMARY

The Auditor General reviews the implementation status of outstanding audit recommendations, and reports the review results to City Council through the Audit Committee.

As of September 30, 2020, there were 749 outstanding recommendations, 296 were identified as high priority.

This year, our Office implemented a new audit management technology solution designed for auditors to manage all aspects of the audit. As an extension to the new system, we integrated continuous tracking of the implementation status of audit recommendations. The new technology will improve the efficiency and timeliness of how we collect information from management for the follow-up reviews.

This report describes the new follow-up process and the Auditor General's plan to restart the follow-up work beginning November 2020.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council receive this report for information.

FINANCIAL IMPACT

The recommendation contained in this report does not have any financial impact. However, implementation of recommendations relating to audits referred in this report may have some associated costs that would be offset by the improved efficiencies, reduced fraud and waste and enhanced revenues. The Auditor General reports realized benefits to the Audit Committee each year. The 2019 annual report demonstrating the value of the Auditor General's Office is available at:

<https://www.toronto.ca/legdocs/mmis/2020/au/bgrd/backgroundfile-145394.pdf>

DECISION HISTORY

The follow-up of outstanding recommendations is required by Government Auditing Standards. The process is important as it ensures that management has taken appropriate actions to implement the recommendations from previous audit reports. The follow-up review is part of the Auditor General's Annual Work Plan. The Auditor General reports to the Board of Directors and the City's Audit Committee each year on the implementation status of outstanding recommendations.

We conduct the follow-up audits in accordance with generally accepted government auditing standards. Those 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 our audit objectives.

Provided below are links to the last two Follow-up Reports for City divisions tabled at February 10, 2020 and October 25, 2019 Audit Committees:

(i) Recommendations follow-up results for the divisions in Community and Social Services, The City Manager's Office and the People and Equity Division:

<https://www.toronto.ca/legdocs/mmis/2020/au/bgrd/backgroundfile-145642.pdf>
<https://www.toronto.ca/legdocs/mmis/2020/au/bgrd/backgroundfile-145665.pdf>

(ii) Recommendations follow-up results for the divisions in Corporate Services and Finance and Treasury Services:

<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-138834.pdf>
<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-138836.pdf>

Recommendations follow-up results for 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-134739.pdf>

COMMENTS

Due to the COVID-19 pandemic and focus of City Management and Staff on delivering essential services for residents of Toronto, we deferred all work related to our ongoing follow-up of audit recommendations. As the City continues to resume its operations, we are re-engaging with City Divisions and its Agencies and Corporations to restart our reviews of the implementation status of outstanding audit recommendations.

In the meanwhile, we took the opportunity to modernize our processes and improve the efficiency and timeliness of how we collect information from management for the follow-up reviews. As an extension of the new audit management technology solution, we have integrated continuous tracking of the implementation status of audit recommendations.

City Divisions and Agencies and Corporations are now able to provide updates on the status of implementation of recommendations in real-time rather than on a cyclical basis. They are able to upload supporting documents through an online application portal which is available 24 x 7.

A live 'dashboard' view displays the status of recommendations that are past the implementation date previously provided by management or are due in the upcoming months. The system also automatically notifies the Auditor General's Office follow-up team whenever management has identified that they have fully implemented an outstanding recommendation.

The Auditor General has notified City Divisions, Agencies and Corporations of the changes to the follow-up process and during August and September 2020 provided training to all City Divisions and Agencies and Corporations that have outstanding audit recommendations on how to use the system.

As of September 30, 2020, there were 749 outstanding recommendations relating to 117 reports. Of the 749 recommendations, 296 were identified as high priority. The recommendations where significant amount of savings or health and safety or reputation risks are involved are identified during the audit process and considered as high priority. In addition, those recommendations that remain outstanding for over 5 years are also considered high priority.

We recognize that over time the priority of recommendations may change. Management of the City Divisions, Agencies and Corporations are requested to review the existing prioritization and advise the Auditor General should there be changes.

The following table summarizes the status of outstanding recommendations for City Divisions, Agencies and Corporations as of September 30, 2020 and includes all the Auditor General's recommendations in reports adopted by Council up to June 2020.

Table 1: Summary of Outstanding Audit Recommendations as of September 30, 2020

Description	City Divisions		Agencies and Corporations		Total City-wide Recommendations (Recs.)	
	Total Recs.	High Priority Recs.	Total Recs.	High Priority Recs.	Total Recs.	High Priority Recs.
Audit Reports	479	213	177	68	656	281
Forensic Reports	57	15	4	--	61	15
Management Letters*	26	--	6	--	32	--
Total:	562	228	187	68	749	296

* The Auditor General makes recommendations in separate management letter(s) for less significant issues identified during the audit. The review results are reported to the City Manager or the Head of the respective Agency or Corporation.

The City Divisions and its Agencies and Corporations have been requested to update the recommendation tracking system with the current implementation status of outstanding recommendations by October 30, 2020. The Auditor General will restart follow-up work during the month of November 2020 on those recommendations reported as fully implemented.

Recognizing that some City Divisions, Agencies, and Corporations continue to be impacted by the pandemic, we have advised management that, for the short-term, our follow-up process will focus on validating the implementation status of high priority recommendations only that will be reported as fully implemented.

The realized savings and efficiencies will continue to be reported to Council through the Audit Committee after completion of our follow-up audits.

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SIGNATURE

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AUDITOR GENERAL
