

Auditor General's Follow-up of the Outstanding Recommendations - Status Update

Date: February 4, 2021

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.

The attachment to this report contains information explicitly supplied in confidence to the City of Toronto which, if disclosed, could reasonably be expected to impact the safety and security of the City and its services.

The attachment to this report involves labour relations or employee negotiations.

The attachment to this report involves litigation or potential litigation that affects the City of Toronto.

SUMMARY

The Auditor General reviews the implementation status of recommendations made through her audit and investigation reports. The results of the review are reported to City Council through the Audit Committee.

The Auditor General's follow-up work was impacted by the COVID-19 pandemic. In 2020, we deferred our follow-up work that was in-progress to enable City divisions and its agencies and corporations to focus on the delivery of essential services. However, the City divisions and its agencies and corporations, where possible, did continue to work on the implementation of recommendations to realize savings and operational efficiencies.

During this time our Office implemented a new audit management technology solution. As an extension of the new system, we integrated continuous tracking of the implementation status of the recommendations included in the audit and investigation reports. This solution will provide a more efficient tracking of the outstanding recommendations to management and reporting to the Audit Committee on management actions to implement these recommendations.

As of January 8, 2021, there were 748 outstanding recommendations issued between September 2005 and February 2020. Management reported that 233 (31 per cent) recommendations were fully implemented and three recommendations were no longer applicable. The Auditor General has not verified the management reported status; however, this work is now underway. The results of our review will be submitted to the May 31, 2021 Audit Committee meeting.

The purpose of this report is to update the Audit Committee and Council on management actions and plans to implement the outstanding audit and investigation recommendations.

Table 1 provides an overview of the status of outstanding audit and investigation recommendations for City divisions, agencies and corporations as reported by management as of January 8, 2021.

Table 1: Status of Outstanding Audit and Investigation Recommendations as Reported by Management as of January 8, 2021 (Status Not Verified by the Auditor General)

Service Area	High Priority Recs.			Other Recs.			Total Outstanding Recs.			Total
	FI	NFI	N/A	FI	NFI	N/A	FI	NFI	N/A	
City Divisions	68	179	0	116	199	0	184 (33%)	378 (67%)	0	562
Agencies & Corporations	31	46	1	18	88	2	49 (26%)	134 (72%)	3 (2%)	186
Grand Total	99 (13%)	225 (30%)	1	134 (18%)	287 (38%)	2 (1%)	233 (31%)	512 (68%)	3 (1%)	748

The recommendations where a significant amount of savings, or health and safety, or the City's reputation risks are involved, these are considered high priority. In addition, those recommendations that remain outstanding for over five years are also considered high priority.

The 99 (13 per cent) high priority fully implemented recommendations are included in the Attachment 1, unless confidential, the one high priority no longer applicable recommendation is included in the Attachment 3, and all confidential recommendations are included in the Confidential Attachment 1.

The 225 (30 per cent) high priority not fully implemented recommendations, together with management comments, action plans and implementation due dates are included in the Attachment 2, unless confidential. The confidential high priority not fully implemented recommendations are included in the Confidential Attachment 1.

RECOMMENDATIONS

The Auditor General recommends that:

1. 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, it is about the safety and security of the City and its services, labour relations or employee negotiations and about litigation or potential litigation that may affect the City of Toronto.

FINANCIAL IMPACT

The recommendations contained in this report do not have any financial impact. However, implementation of recommendations relating to audits and investigations referred to 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 2020 annual report demonstrating the value of the Auditor General's Office will be presented at the February 16, 2021 Audit Committee meeting.

The benefits report for 2019 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.

The work performed in relation to the follow-up does not constitute an audit conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). However, we believe that we perform sufficient work and gather sufficient appropriate evidence to provide for a reasonable basis for our findings, conclusions and concerns.

Provided below are links to the last two Follow-up Reports for City divisions tabled at October 23, 2020 and February 10, 2020 Audit Committees:

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

<https://www.toronto.ca/legdocs/mmis/2020/au/bgrd/backgroundfile-157405.pdf>

(ii) 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>

(iii) 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

In 2020, our Office implemented a new audit management technology solution. The new system allows management to update the implementation status of outstanding recommendations online throughout the year. With the new system in place, we can continuously track and report out on management's assessment of implementation progress and target completion date.

The system has extensive reporting capabilities that allows the Auditor General to provide statistics on the implementation status of recommendations as reported by management. Specifically, we can report on:

- Implementation status of the recommendations
- Implementation rate of the outstanding recommendations
- Outstanding recommendations by risk category
- Age of the recommendations
- Management's action plan and the expected implementation date
- Delays in implementation of the recommendations from the original agreed timelines.

At the June 28, 2019 meeting, a motion was adopted by the Audit Committee requesting the City Manager to report to the October 25, 2019 Audit Committee meeting 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.

Internal Audit provided a report back to Audit Committee outlining the process to track and monitor outstanding Council Approved Auditor General Recommendations. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-138670.pdf>

Audit Committee requested the City Manager to report back in Q1 2020 with an update on the implementation of all outstanding audit recommendations in all City divisions and the its agencies and corporations, with the report to include detailed plans and timelines for the implementation of all recommendations not yet fully implemented. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2020/au/bgrd/backgroundfile-145350.pdf>

The additional reporting by the Internal Audit division may not be needed going forward. As the information requested by the Audit Committee will be available through the new system, it will be reported by the Auditor General on a periodic basis. The Internal Audit division will continue to provide advice to the divisions on the implementation of recommendations, as and when required.

Due to the COVID-19 pandemic and focus of City Management and Staff on delivering essential services to the residents of Toronto, from March until November 2020 we deferred all work related to our ongoing follow-up of audit and investigation recommendations. During this time, we took the opportunity to optimize our new audit management system so that it could integrate the continuous tracking and reporting of audit recommendations. City divisions, agencies and corporations can now provide updates on the status of recommendations in real-time, through a 24/7 online application portal. We have provided training to over 200 staff members from City divisions and major agencies and corporations.

City divisions and the City's agencies and corporations have been requested to update the recommendation tracking system with the current implementation status of outstanding recommendations on an ongoing basis. As of January 8, 2021, there were 748 outstanding recommendations relating to 106 audit and investigation reports, and 10 management letters.¹

Of the 748 recommendations, management reported that 233 (31 per cent) were fully implemented and three recommendations were no longer applicable. Recommendations are considered no longer applicable when due to the operational or organizational changes they are no longer relevant. The Auditor General has not verified management's assertions, this work is now underway and results of our review will be reported in May 2021 Audit Committee.

¹ The Auditor General makes recommendations in separate management letters for less significant issues identified during the audit. The review results are reported to the City Manager or the Head of the respective Agency and Corporation.

The following table summarizes the status of outstanding recommendations as reported by management for City divisions and its agencies and corporations as of January 8, 2021 and includes all the Auditor General's recommendations in reports adopted by Council up to June 2020.

Table 2: Status of Outstanding Audit/Investigation Recommendations Reported by Management as of January 8, 2021 for Audit Reports Adopted by Council up to June 2020 (Status Not Verified by the Auditor General)

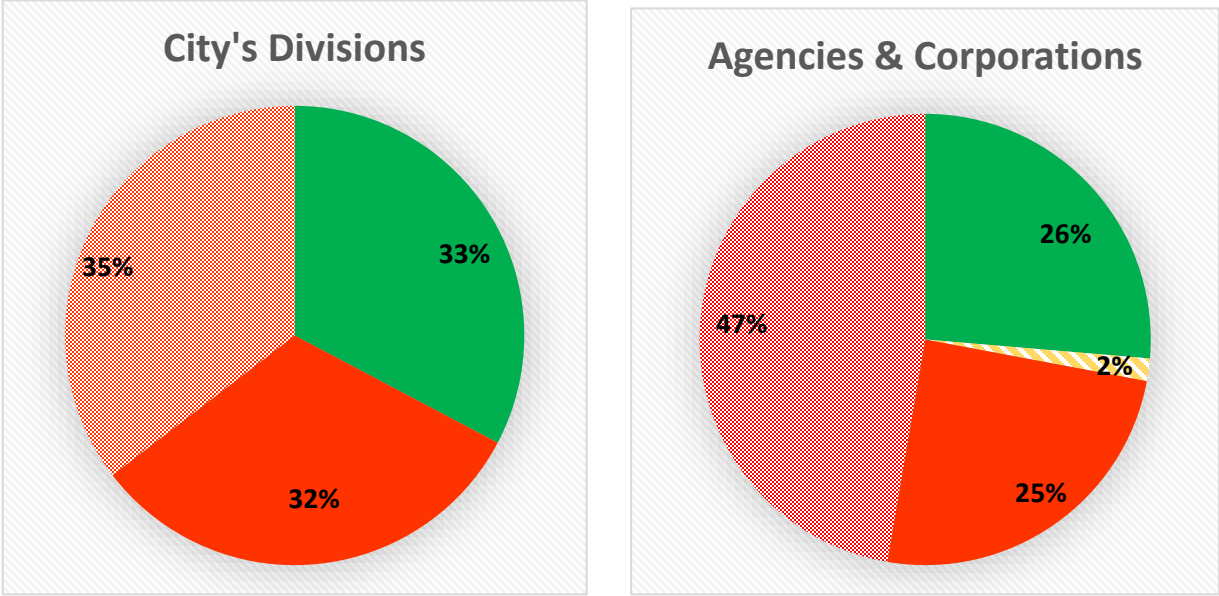
City Service Groups, Agencies & Corporations	High Priority Recs.			Other Recs.			Total Outstanding Recs.			Total
	FI	NFI	N/A	FI	NFI	N/A	FI	NFI	N/A	
City Manager's Office	0	2	0	1	0	0	1	2	0	3
People and Equity	1	2	0	0	0	0	1	2	0	3
Community and Social Services	4	29	0	18	60	0	22	89	0	111
Corporate Services	30	84	0	26	70	0	56	154	0	210
Finance and Treasury Services	20	39	0	29	40	0	49	79	0	128
Infrastructure and Development	13	23	0	42	29	0	55	52	0	107
City Total	68 (12%)	179 (32%)	0	116 (21%)	199 (35%)	0	184 (33%)	378 (67%)	0	562
Agencies and Corporations										
Toronto Community Housing Corporation	0	0	0	2	20	1	2	20	1	23
Toronto Parking Authority	0	0	0	0	6	0	0	6	0	6
Toronto Transit Commission	31	46	1	16	62	1	47	108	2	157

City Service Groups, Agencies & Corporations	High Priority Recs.			Other Recs.			Total Outstanding Recs.			Total
	FI	NFI	N/A	FI	NFI	N/A	FI	NFI	N/A	
Total Agencies and Corporations Total	31 (17%)	46 (25%)	1	18 (9%)	88 (47%)	2 (2%)	49 (26%)	134 (72%)	3 (2%)	186
Grand Total	99 (13%)	225 (30%)	1	134 (18%)	287 (38%)	2 (1%)	233 (31%)	512 (68%)	3 (1%)	748

Figure 1 illustrates the implementation status of outstanding recommendations reported by City divisions and agencies and corporations as of January 8, 2021.

Figure 1: Implementation Status of Outstanding Audit Recommendations Reported by Management for Recommendations issued between September 2005 and February 2020 to City Divisions, Agencies and Corporations

■ Fully Implemented
 ▨ No Longer Applicable
 ■ Not Fully Implemented - High Priority
 ■ Not Fully Implemented - Other



The Auditor General resumed the follow-up work in December 2020. Recognizing that some City divisions, agencies, and corporations continue to be impacted by the pandemic, we have advised management that, for this round of follow-up our focus will be on validating the implementation status of high priority recommendations reported as fully implemented.

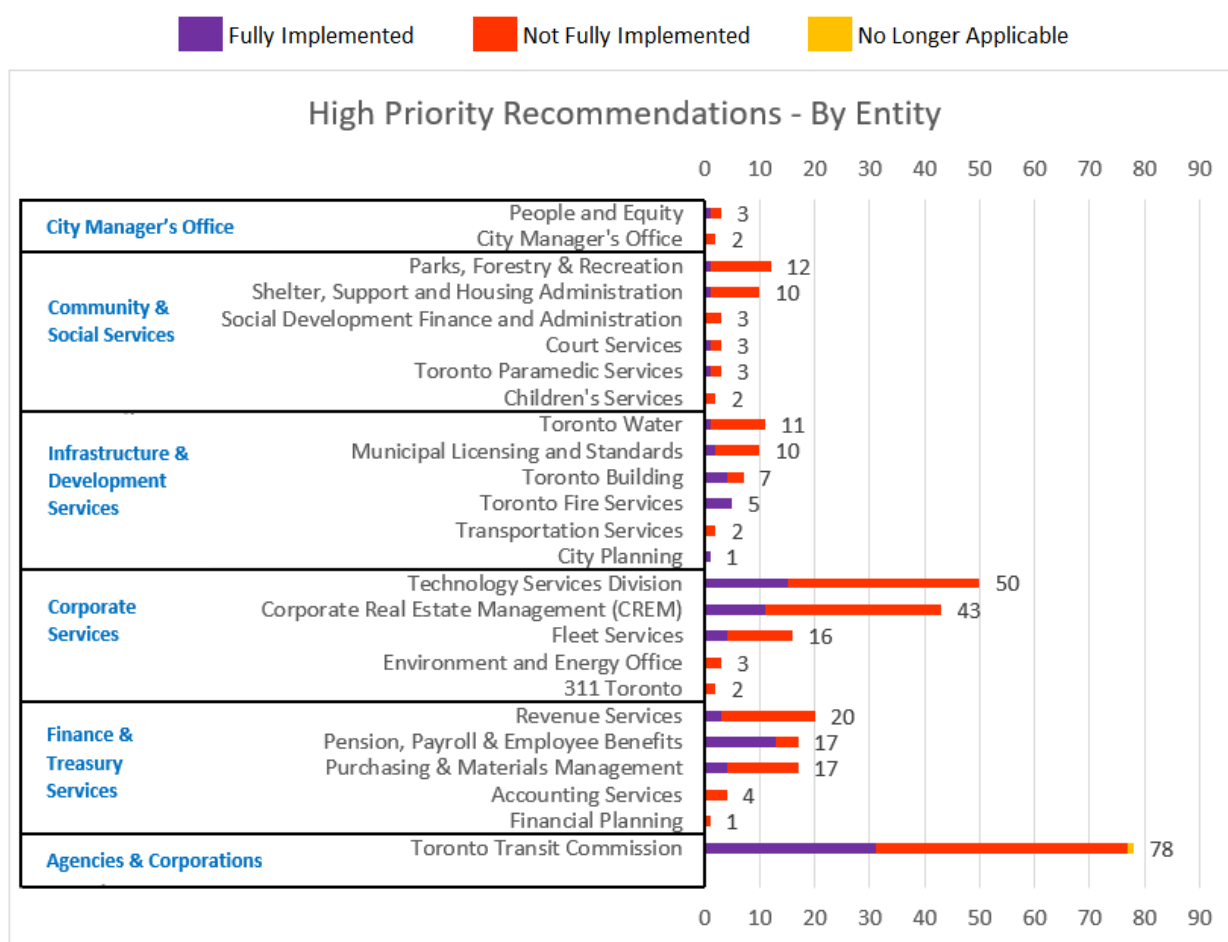
The recommendations where a significant amount of savings, or health and safety, or the City's reputation risks are involved are considered high priority. In addition, those

recommendations that remain outstanding for over five years are also considered high priority.

Of the 748 outstanding recommendations, 325 (43 per cent) were identified as high priority. Management reported that of the 325 high priority recommendations, 99 (13 per cent) were fully implemented and one was no longer applicable. Figure 2 illustrates the implementation status of high priority recommendations as reported by management.

The verification of recommendations reported as fully implemented or no longer applicable is currently underway. The results of our review will be submitted to the May 31, 2021 Audit Committee meeting.

Figure 2: Implementation Status of High Priority Recommendations Reported by Management as of January 8, 2021



We recognize that recommendations in recently issued audit and investigation reports may need more time to be fully implemented. We also recognize that some of the recommended changes require system or process changes, hence necessitating a longer period for full implementation. However, of the 225 high priority not fully implemented recommendations, 70, or one-third of these, have been outstanding for five years or longer as shown in Figure 3.

Figure 3: High Priority Recommendations Outstanding for 5 Years or Longer as of January 8, 2021



We understand that management is making efforts to implement the outstanding recommendations. However, in order to get the intended benefits, it is important that the recommendations are implemented according to the action plan and the timelines agreed by management at the time of the audit.

We found, in many instances, the timelines have been adjusted more than once and the implementation actions spanned over a number of years.

Table 3 provides a summary of recommendations, where target implementation deadlines have been moved multiple times and the recommendations continue to be outstanding. Management comments and the implementation target dates are included in the Attachment 2 and Confidential Attachment 1.

Please keep in mind that this is a new category of information that needs exploring further. We will do that as part of our review going forward. In some cases, there may be good reason to move the implementation date. It is important to not draw premature conclusions until that follow-up work is complete.

Table 3: High Priority Outstanding Audit Recommendations with the Adjusted Target Implementation Dates

City Service Groups, Agencies and Corporations	Original Report(s) Date	Number of Recommendations Where Target Implementation Date Changed 3 Times or More
City Manager's Office	May 2014	1
People and Equity	June 2014	1
Corporate Services	September 2005 - October 2016	19
Finance and Treasury Services	April 2012 – October 2016	13
Infrastructure and Development	January 2012 – January 2014	5
City Total		39
Toronto Transit Commission	February 2015 - September 2016	4
Agencies and Corporations Total		4
Grand Total		43

CONCLUSION

This report provides information regarding the implementation status of the 748 outstanding audit and investigation recommendations issued to City divisions and the City's agencies and corporations between September 2005 and February 2020. Management reported that 233 (31 per cent) recommendations were fully implemented and three no longer applicable. The Auditor General has not verified management's assertions. The validation of recommendations reported as fully implemented or no longer applicable is currently underway. The results of our review will be submitted to the May 31, 2021 Audit Committee meeting.

We express our appreciation for the co-operation and assistance we received from management and staff of City divisions and agencies in implementing the new system and updating the information.

CONTACT

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SIGNATURE

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Auditor General

ATTACHMENTS

Confidential Attachment 1: City Divisions, Agencies and Corporations - High Priority Recommendations - Fully Implemented and Not Fully Implemented (Status Not Verified by the Auditor General)

Attachment 1: City Divisions, Agencies and Corporations: Public High Priority Recommendations - Fully Implemented (Status Not Verified by the Auditor General)

Attachment 2: City Divisions, Agencies and Corporations Public High Priority Recommendations - Not Fully Implemented (Status Not Verified by the Auditor General)

Attachment 3: City Agencies and Corporations - High Priority No Longer Applicable Recommendations (Status Not Verified by the Auditor General)