

17. Administration staff is responsible for safeguarding and retaining audit work papers.

SECTION III – MANAGING THE AUDIT PROCESS

The policies and procedures in this section of the manual have been prepared to guide the Auditor General’s Office staff in managing and conducting audit work. By studying and adhering to the following guidelines, audit staff can help ensure that audits are conducted in a consistent and professional manner.

A. OVERVIEW OF THE AUDIT PROCESS

Regardless of the type of audit, the process followed in conducting audits and reporting to the City Council and/or management consists of the following phases:

1. Planning - Audit Selection – Audits are selected by the Auditor General with input from City Council, and/or professional staff based upon risk assessment, identified needs and available staff resources. Allegations of waste, mismanagement or potential fraud in a program receive immediate attention as they are identified and are often used in the development of the annual work plan.
2. Planning - Initiating the Audit – Several administrative activities are performed to begin the audit, such as assigning audit staff and notifying management of the organization scheduled for audit.
3. Planning - Audit Survey – During the audit survey, auditors familiarize themselves with the division or function by conducting background interviews and research. In addition, they identify risks and potential issues, and determine audit objectives and methodology.
4. Audit Fieldwork – Fieldwork consists of data collection, analysis and other activities designed to meet audit objectives. During fieldwork, auditors obtain more specific information to support and document audit findings.
5. Reporting – Reporting is the preparation of the written report, which communicates auditor findings, conclusions and recommendations.
6. Supervisory and Independent Review – The written report undergoes an internal quality control process to ensure that it is complete, accurate, objective and convincing. Independent review also assists in editing the report for clarity and conciseness.
7. Follow-up – The Auditor General’s Office employs follow-up procedures to help ensure management has taken appropriate action to resolve problems identified in audits.

Each audit has an auditor or a team of auditors assigned, working under the overall direction of the Auditor General or Director as appropriate.



Throughout the audit, auditors work with managers of the audited division to obtain input and inform them of audit progress. The team should brief management at the end of the survey and fieldwork phases of the audit. In addition, the draft reports are circulated to the division managers and meetings are held to obtain their feedback before the report is finalized and issued.

B. AUDIT SELECTION

Audits included in the Auditor General's Annual Work Plan are selected by the Auditor General based on a comprehensive risk assessment, an audit proposals database, and an annual process with input from City Council, audit staff and other sources.

i) Risk Assessment

The Auditor General completes a comprehensive Risk Assessment every five years. The risk assessment is a high level evaluation of risks associated with the operations in all City divisions, agencies and commissions. The purpose of the risk assessment exercise is to prioritize the audit work in those areas where the greatest risk exists.

The assessment process evaluates the risks related to the operations/programs of each area for 10 weighted risk factors:

1. Complexity of Operations
2. Internal Control System
3. Dollar Impact/Materiality
4. Potential for Losses or Wrongdoing
5. Establishment of Policies and Procedures
6. Existence of a Business Plan
7. Organizational Unit's Competence
8. Program, Operations and/or System Change
9. Potential for Liability (penalties, litigation)
10. Political Exposure/Adverse Publicity

Audit units are each assigned risk scores based on the above risk factors and stratified as high, medium and low risk according to the assessed level of risk. Results of the risk assessment exercise are considered for both long term audit planning and the preparation of the Annual Work Plan.

ii) Audit Proposals Database

Audit staff are always encouraged to identify specific audit projects based on risk assessment, ongoing reviews, Council requests, fraud hotline complaints and emerging issues. A shared database developed to encourage staff to input their

ideas for potential audit projects serves as a source for selecting projects for the Annual Work Plan.

iii) Input to the Annual Work Plan

Audits included in the Auditor General's Annual Work Plan are selected by the Auditor General based on input from City Council, audit staff and other sources. The selection of audits is done annually prior to the beginning of each fiscal year.

The selection process includes the following steps:

1. The Auditor General or designee meets with audit staff to develop a list of potential audits.
2. The potential audits identified are evaluated in terms of the criteria described above.
3. The Auditor General meets with the Audit Committee Chair to discuss potential audit areas.
4. The Auditor General solicits input from the City Manager and management representatives from the City's Agencies and Commissions. Input is also solicited from the City's external auditors and others as deemed appropriate.
5. Based on the input received, the Auditor General develops an Annual Work Plan. The proposed plan is presented to the Audit Committee and City Council.

The following criteria are generally used in selecting audits for inclusion in the Annual Work Plan:

1. Potential for savings, additional revenue and/or service improvement.
2. Interest of City Council, management and the public.
3. Evidence or substantive allegation of problems or wrongdoing.
4. Exposure to loss of City resources due to large expenditures or inherent program risk.
5. Availability of staff and/or resources to conduct the audit.

Under the Auditor General's by-law, no deletions or amendments to the annual audit plan shall be made except by the Auditor General. However, Council may add to the annual audit plan by a two-thirds majority vote (Ref: City of Toronto Municipal Code - Chapter 169 - Officials, Article VI – Auditor General, § 169-30.1. Annual audit plan)

In addition to scheduled audits, the Auditor General's Office occasionally conducts unscheduled audits provided staff and resources are available. Allegations of significant



irregularities may be given priority over scheduled audits if immediate action is needed to protect City assets or for other urgent reasons.

C. PLANNING - INITIATING THE AUDIT

Auditors must adequately plan and document the planning of the work necessary to address the audit objectives, scope and methodology such that their work will provide reasonable assurance that sufficient, appropriate evidence will support their findings and conclusions. Auditors should assess significance and audit risk when defining the audit objectives, scope and methodology (6.06, 6.07, and 6.10).

Several activities must be accomplished before an audit can begin. At a minimum, the following four steps should be taken:

1. Assignment of Staff

Audit Management assigns a sufficient number of staff with the appropriate collective skill and competence to perform the audit, including staff and supervisors, providing for on-the-job training of staff, and engaging specialists when necessary. Auditors should document the nature and scope of work to be performed by specialists engaged (*GAS 6.12d, 6.45-6.46*).

Auditors who intend to use the work of a specialist should assess the specialist's professional qualifications and independence, which involves the following:

- Professional Certifications
- Licenses or other recognition of competence
- Reputation and standing with peers
- Experience and previous work
- Prior experience the auditor has had with the specialist

“Assessing independence includes identifying threats and applying safeguards in the same manner as would apply to assigned auditors (GAS 6.12d, 6.43-6.44)”

The Auditor General is responsible for assigning staff to audit projects. In making assignments, the Auditor General considers the skills and knowledge needed to conduct the audit, the number of staff needed to complete the audit in a timely manner and the possible need for outside expertise. In addition, the Auditor General considers opportunities for career development and auditor interest when making assignments. Names of staff selected to work on an audit are entered on the Audit Planning and Variance Sheet ([Form 6](#)).

If the Auditor General intends to use the work of a specialist the specialist's professional qualifications and independence are to be assessed as noted above (6.44).

2. Project Start Letter

Prior to beginning an audit, a Project Start Letter ([Form 5](#)) is sent to the appropriate management representative. The Project Start Letter is management's notification that the Auditor General is planning a review in the area identified and requests management to designate a contact person for the audit.

The Project Start Letter also introduces audit members and explains the audit process. Requests for specific information to be provided at the entrance conference may also be included in the letter. The letter indicates that audit staff will be contacting division management to arrange for an entrance conference.

3. Scheduling a Planning Meeting

Before beginning the audit, the Auditor General, Director and assigned audit staff meet to discuss the general scope of work to be performed. Topics for discussion include:

- (a) General scope of the audit;
- (b) Specific items or issues to be reviewed during the survey;
- (c) City Council, management and public concerns;
- (d) Possible sources of information, including persons to interview; and
- (e) General timeframe for completing this audit.

4. Establishment of the Working Paper Files

Every audit conducted requires key administrative documents for the purpose of project management and reporting. Among these items are the Project Start Letter, Statement of Independence and Conflict of Interest, correspondence, draft report and the final issued report. Some of these administrative documents are to be retained in the working papers and others are retained in the office administrative file. Complete listings of items to be placed in the audit working papers are contained in the File Index ([Form 8](#)). Responsibility for establishing and maintaining the working paper files rests with the audit team.

D. PLANNING - AUDIT SURVEY

Auditors should assess audit risk and significance within the context of the audit objectives by gaining an understanding of the:

- a. Nature and profile of the program and user needs (6.11a, 6.13)
- b. Design and implementation of internal control (6.11b, 6.16)
- c. Design and implementation of information system controls (6.11c, 6.24, 6.27)
- d. Legal and regulatory requirements, contract provisions, grant agreements, potential fraud and abuse (6.11d, 6.28, 6.30-6.32, 6.34)
- e. Impact of ongoing investigation and legal proceedings (6.11e, 6.35)
- f. Results of previous engagements (6.11f, 6.36)

To the extent relevant to the audit objectives, auditors should identify potential criteria and sources of audit evidence including the work of other auditors or experts, necessary to plan the audit work. (6.12a-c, 6.37, 6.38, 6.40-6.42)

The purpose of the audit survey is to gain a general working knowledge of the entity or activity under review, identify problem areas warranting detailed review and gain sufficient information to enable auditors to develop a detailed work plan. Steps to be followed in conducting the audit survey include:

- holding an entrance conference with division management;
- completing the survey checklist;
- briefing the Auditor General and Director on the survey results; and
- preparing Terms of Reference and the Audit Program.

1. Entrance Conference

An entrance conference is held with senior management representatives of the division to be audited. The purpose of the entrance conference is to explain the intent of the audit and to establish a good working relationship with division management. It is sometimes necessary to hold two separate conferences, one with the appropriate General Manager and another with appropriate staff.

The Director or Senior Audit Manager should contact the conference participants and arrange a meeting time. At the conference, the Auditor General or Director:

- (a) Introduces the audit team;
- (b) Explains the purpose, general scope and objectives of the audit;

- (c) Explains the overall audit process and major activities of each audit phase (survey, fieldwork and reporting);
- (d) Explains a general timeline for the audit with a qualification that times may vary depending upon scope of fieldwork;
- (e) Explains our practice of briefing management throughout the audit process;
- (f) Makes arrangements for access to the division's information systems, if necessary, and for use of the division's equipment, such as copiers and computers; and
- (g) Requests input from division management on areas of special concern to them.

The auditors should document the entrance meeting and any process used to identify those who should be invited to the conference. (GAS 6.12)

2. Survey Checklist

Activities to be completed during the audit survey are listed in the Survey Checklist ([Form 9](#)). The Survey Checklist is designed to help acquaint auditors with an organization or function and to help them identify risk exposures, constraints, management controls and potential audit issues. Because each audit is unique, it is usually necessary to add and/or delete items from the checklist. The following is a brief discussion of each section of the Survey Checklist.

General Familiarization

Auditors review adopted budgets, budget requests, annual reports and other documents which provide descriptions of services and operations. In addition, on-site visits and a walk-through of operations can be helpful in understanding the program and spotting potential problems. (GAS 6.11-6.13) In a walk-through, auditors observe conditions and ask questions about workflow, filing systems, equipment usage and so forth. Auditors are also encouraged to spend a day in the field with personnel in what is commonly called a "ride along". Examples include a "ride along" with a police officer, fleet supervisor or bylaw enforcement inspector.

Interviews

Background interviews are held with key division personnel to gain familiarity with policies and practices, obtain written materials and identify risk exposures, management controls, concerns and improvement opportunities. Knowledgeable persons from other City divisions and outside City government could also be interviewed for their insights and suggestions. (GAS 6.11 – 6.13)

Legal and Regulatory Requirements, Contract Provisions and/or Grant Agreements

As part of the planning process:

- Auditors should determine which laws, regulations, and provisions of contracts or grant agreements are significant within the context of the audit objectives and assess the risk that violations of those laws, regulations, and provisions of contracts or grant agreements could occur.
- Based on that risk assessment, auditors should design and perform procedures to provide reasonable assurance of detecting instances of violations of legal and regulatory requirements or violations of provisions of contracts or grant agreements significant to the audit objectives.
- The auditors' assessment of audit risk may be affected by such factors as the complexity or newness of the laws, regulations, and provisions of contracts or grant agreements. The auditors' assessment of audit risk also may be affected by whether the entity has controls that are effective in preventing or detecting violations of laws, regulations and provisions of contracts or grant agreements.
- If auditors obtain sufficient, appropriate evidence of the effectiveness of these controls, they can reduce the extent of their tests of compliance.

If auditors determine that a detailed assessment of compliance is needed in any area, they should refer to the Government Accountability Office's publication, *Assessing Compliance with Applicable Laws and Regulations*.

Fraud and Abuse

Auditors should extend audit procedures when there are indications that fraud or abuse significant to the audit objectives may have occurred. If the potential fraud is not significant to the audit objectives, auditors may conduct additional work as a separate engagement or refer the matter to other parties with oversight responsibility. Auditors should avoid interfering with legal proceedings or investigations (6.32, 6.34-6.35).

Planning and Field Work Requirements for Fraud:

- In planning the audit, auditors should assess risks of potential fraud occurring that is significant within the context of the audit objectives.

- When information comes to the auditors' attention indicating that potential fraud that is significant within the context of the audit objectives may have occurred, auditors should bring it to the attention of the Directors and the Auditor General for appropriate action, including referring the matter to the Forensic Unit. Consideration must be given to next steps in the context of avoiding interference with legal proceedings or investigations.

Planning and Field Work Requirements for Abuse:

With regards to abuse, auditors are not required to provide reasonable assurance of detecting abuse because the determination of abuse is subjective. However, if during the course of the audit, auditors become aware of potential abuse that could be significant to the program under audit, auditors should apply audit procedures specifically directed to ascertain the potential effect on the program under audit within the context of the audit objectives. In addition, auditors should bring it to the attention of the Directors and the Auditor General for appropriate action, including referring the matter to the Forensic Unit.

Management Controls

Management controls are methods used to ensure that an organization achieves its objectives, operates efficiently and in compliance with applicable laws and regulations and adequately safeguards its financial assets. Controls which auditors review include:

- (a) department mission statement, goals and objectives, priorities and strategic plans
- (b) organizational structure and assignment of duties to staff
- (c) written policies and procedures
- (d) performance standards
- (e) management reports, and
- (f) internal controls over financial assets and program results.

Auditors should refer to the Government Accountability Office's publication, *Assessing Internal Controls in Performance*.

Information Systems

Government Auditing Standards require auditors to assess the sufficiency and appropriateness of computer-processed information regardless of whether this information is provided to auditors or auditors independently extract it. The nature, timing, and extent of audit procedures to assess

sufficiency and appropriateness is affected by the effectiveness of the audited entity's internal controls over the information, including information systems controls, and the significance of the information and the level of detail presented in the auditors' findings and conclusions in light of the audit objectives. The assessment of the sufficiency and appropriateness of computer-processed information includes considerations regarding the completeness and accuracy of the data for the intended purposes.

If a computerized information system contains information that is critical to the audit, the reliability of computerized data will need to be tested and consideration should be given to the use of Computer Assisted Audit Techniques (CAAT) (GAS 6.66).

Access and Equity

As part of the Audit Survey, auditors should assess whether the audit scope and objectives for the program under review have access and equity issues relating to persons with disabilities and other diverse groups. In this regard, audit staff should consider using the "equity lens" as one of the tools to determine whether access and equity issues should be incorporated into the audit program.

Environmental Issues

Auditors are to consider any actual or potential environmental impacts arising from the operations of the unit/program under review. Items in the Survey Checklist provide some guidance in identifying environmental issues that should be addressed in the audit program.

Analysis and Tests

Data from budget documents, annual financial reports and accounting records are obtained to analyze historical expenditure and staffing levels. In addition, auditors may conduct preliminary tests of a sample of transactions or procedures. Such testing can be used to familiarize auditors with operating practices, identify risks and/or potential findings, or give auditors a better understanding of how to conduct compliance or substantive testing during fieldwork.

Results of Previous Audits

Auditors identify related audits and follow-up work conducted previously by the Auditor General's Office. If a prior audit was conducted, auditors need to determine what actions have been taken by management to address audit recommendations. (GAS 6.11f, 6.36)

Research of Literature

Auditors identify and review audit reports, management studies and professional literature on subjects pertinent to the audit. Good sources of information include Canadian municipal, provincial and federal resources, ALGA Local Government Auditing Quarterly, publications of the International City and County Management Association, the Institute of Internal Auditors and the U.S. Government Accountability Office.

Other Survey Steps

This section of the checklist is left blank, allowing auditors to add survey steps tailored to the specific service or activity.

Risk Assessment

Auditors should obtain an understanding of the internal controls and assess whether they have been properly designed and implemented (GAS 6.11, 6.16). Auditors are to prepare an audit program based on a risk assessment matrix (GAS 6.51).

3. Preparation of the Terms of Reference and Audit Program

During the survey, auditors identify areas which hold the greatest risk or potential for improvement. Based on survey results, auditors develop audit objectives and prepare Terms of Reference and the Audit Program (GAS 6.51).

Terms of Reference

Auditors meet with the Auditor General and Director to review survey results and potential audit areas. Issues addressed in these meetings include significance of audit areas recommended for detailed examination, potential improvement opportunities and audit resources needed. Auditors prepare a Terms of Reference ([Form 10](#)) summarizing work performed during the survey, survey results, and the auditor's recommendation for work to be completed during fieldwork. The Terms of Reference consists of the following sections:

- A. Introduction/Background
- B. Financial/Operational Highlights
- C. Key Financial/Operational Issues and Controls
- D. Audit Objectives and Scope
- E. Project Time Frame
- F. Budgeted Hours

- G. Audit Team
- H. Sign-off

The purpose of the Terms of Reference is to communicate an overview of the planned objectives, scope and methodology, timing and reporting of the performance audit to management, those charged with governance, and/or requestors as applicable except when communication would impair ability to obtain evidence. (GAS 6.12e)

Auditors should document the communication and any process used to identify those who should receive communications. If an audit is terminated before it is completed and no audit report is issued, the auditor should document the results of their work to date and why it was terminated. (6.47-6.50)

Audit Program

Auditors must prepare a written audit plan for each audit. Auditors should update the plan necessary. (GAS 6.12f, 6.51)

The Audit Program ([Form 11](#)) outlines the audit objectives and specific work to be completed during fieldwork. It contains statements of objectives, each followed by specific work steps to be completed to accomplish the objective. An objective is often one of the elements of a potential finding.

The Audit Program is prepared in outline form, including sections on audit planning, audit fieldwork, reporting results, quality assurance and wrap-up procedures. It also contains space for providing the following information for each audit objective:

- (a) The auditor's initials and the date they completed the work step; and
- (b) working paper reference(s) documenting completion of the audit procedure.

The Terms of Reference and the Audit Program are approved by the Auditor General and/or Director before fieldwork begins.

It is sometimes necessary to revise the Audit Program during the course of fieldwork. Auditors may encounter difficulties in completing certain tasks or discover new issues or findings. Some unanticipated problems may include inaccurately recorded transactions, potential fraud or difficulty obtaining data. Auditors should note these revisions in the Audit Program.

Further, auditors should:

- to the extent relevant to the audit objectives, identify potential criteria and sources of evidence and evaluate whether to use the work of other auditors or experts (GAS 6.36, 6.37; 6.40, 6.41);
- based on an assessment of the information gained, determine the type and amount of evidence needed to obtain sufficient, appropriate evidence to address the audit objectives. When concluding that sufficient, appropriate evidence is not available, evaluate whether internal control or other program weaknesses are the cause (GAS 6.39); and
- exercise professional skepticism throughout the assignment (neither assume that management is honest nor dishonest). (GAS 3.61)

E. AUDIT FIELDWORK

Once the Terms of Reference and the Audit Program have been completed and approved by the Auditor General or Director, auditors are ready to begin fieldwork. During fieldwork, auditors carry out the steps outlined in the audit program by collecting data, conducting analyses and performing other activities designed to meet the audit objectives.

1. Collecting Evidence

Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions (6.56).

Decisions about the type and quantity of information to be collected are important and require sound judgment. *Government Auditing Standards* state that the concept of sufficient, appropriate evidence is integral to an audit. Appropriateness is the measure of the quality of evidence that encompasses its relevance, validity, and reliability in providing support for findings and conclusions related to the audit objectives. (GAS 6.57)

In assessing the overall appropriateness of evidence, auditors should assess whether the evidence is relevant, valid, and reliable. Sufficiency is a measure of the quantity of evidence used to support the findings and conclusions related to the audit objectives. In assessing the sufficiency of evidence, auditors should determine whether enough evidence has been obtained to persuade a knowledgeable person that the findings are reasonable. (GAS 6.57)

- A. Relevance refers to the extent to which evidence has a logical relationship with, and importance to, the issue being addressed.

- B. Validity refers to the extent to which evidence is a meaningful or reasonable basis for measuring what is being evaluated. In other words, validity refers to the extent to which evidence represents what it is purported to represent.
- C. Reliability refers to the consistency of results when information is measured or tested and includes the concepts of being verifiable or supported.

In assessing evidence, auditors should evaluate and document whether the evidence taken as a whole is sufficient and appropriate for addressing the audit objectives and supporting findings and conclusions. Audit objectives may vary widely, as may the level of work necessary to assess the sufficiency and appropriateness of evidence to address the objectives (GAS 6.58, 6.67, 6.69). Testimonial evidence and information provided by officials should be evaluated when used as evidence (6.62, 6.65).

Assessing the Sufficiency and Appropriateness of Computer Processed Information

Auditors should assess the sufficiency and appropriateness of computer-processed information regardless of whether this information is provided to auditors or auditors independently extract it. The nature, timing, and extent of audit procedures to assess sufficiency and appropriateness is affected by the effectiveness of the audited entity's internal controls over the information, including information systems controls, and the significance of the information and the level of detail presented in the auditors' findings and conclusions in light of the audit objectives. The assessment of the sufficiency and appropriateness of computer-processed information includes considerations regarding the completeness and accuracy of the data for the intended purposes (GAS 6.66).

When assessing the sufficiency and appropriateness of evidence, auditors should evaluate the expected significance of evidence to the audit objectives, findings, and conclusions, available corroborating evidence, and the level of audit risk. The steps to assess evidence may depend on the nature of the evidence, how the evidence is used in the audit or report, and the audit objectives (GAS 6.71-6.72).

Auditors should plan and perform procedures to develop the elements of a finding to address audit objectives and develop recommendations for corrective action. (GAS 6.73)

Data Collection Techniques

Information collected must be valid and reliable. There are various methods available to auditors for gathering information to achieve the audit objectives. The particular methods chosen vary from audit to audit and depend on a number of factors, including time constraints, staff expertise and the availability and reliability of information. Data collection techniques can generally be placed into four categories:

- (i) interviews
- (ii) analysis
- (iii) observation, and
- (iv) surveys.

Interviews

Interviews are an integral part of data collection. Information that is collected from written records often cannot be fully understood alone. In some cases, the written record must be clarified or explained, and in others, there is no written record available. In addition, auditors often need to find out how employees spend their time, therefore, written documents that state what the employees do cannot be solely relied upon. Auditors should corroborate information obtained through interviews by collecting supporting documentation.

It is important that auditors develop good interviewing skills. Some key points are:

- (a) Most interviews should be scheduled in advance with the interviewee informed of the purpose and nature of the interview.
- (b) The auditor should set a positive tone and not appear threatening or condescending, but should be courteous and tactful.
- (c) The auditor should prepare for the interview by reviewing appropriate background materials and making a list of questions to ask.
- (d) During the interview, the auditor should listen carefully, take good notes, and when appropriate, rephrase interviewee responses to confirm what was said.
- (e) The auditor should “write up” the interview as soon as possible following its conclusion.

Analysis

There are many types of tests and analyses that can be performed. Common analytical techniques include: (1) judgmental or statistical sampling of data; (2) tracing documents, such as contracts or invoices, through the system; (3) comparative and trend analysis (e.g. historical expenditure/staffing levels); (4) advanced statistical analysis such as regression analysis, and (5) operations research methods such as linear programming and queuing theory.

Observations

Auditors can obtain evidence by observing physical conditions and operating practices. Examples include observation of 911 dispatch operations, emergency medical rescue operations and street maintenance crew activities.

Surveys

Surveys and questionnaires are valuable tools for obtaining comparative information. It is common to survey other cities to obtain comparative data on management practices, staffing and expenditure levels and other related information. Surveys are often conducted over the telephone using a carefully prepared list of questions and requesting that some documents/information be emailed, faxed or mailed to the Auditor General's Office. (GAS 3.72(d)(4), 6.63)

2. Documentation and Record Retention

Auditors must prepare audit documentation related to planning, conducting and reporting for each audit before issuing the report. Documentation should provide enough detail for an experienced auditor to understand the nature, timing, extent and results of work, evidence obtained, sources of evidence, and auditors' conclusions and significant judgements including:

- Objectives, scope and methodology of audit
- Work performed, documentation and other evidence obtained to support significant judgements and conclusions including descriptions of transactions and records examined
- Evidence of supervisory review of the evidence supporting the findings, conclusions and recommendations (GAS 6.79-6.83)

Auditors should document departures from GAS requirements and the impact on the audit and auditors' conclusions (GAS 6.84).

Information collected during the audit is retained in the form of working papers. Working papers provide a systematic record of work performed and include the evidence obtained to support the auditor's findings and conclusions. In addition, working papers serve as the connecting link between fieldwork and the written report. [Appendix F](#) contains a sample working paper illustrating cross referencing.

The Office retains working papers in accordance with the City's Records Retention policy. Records retention and disposal of audit files for the Auditor General's Office is as follows:

“Retention and Disposal: 7 years after termination of the audit process, then permanent storage in City Archives (pending approval).” Working papers are normally stored in the Auditor General's Office, but may be transferred to the City's Records Retention storage facility due to filing and space limitations.

Original source documents or copies should be included in the working papers. However, if source documents are too voluminous to be incorporated, auditors should copy only relevant data and include samples of documents to facilitate the reviewer's understanding of work performed.

While working papers should be complete, they should also be as concise as possible and restricted to matters significant and relevant to the audit objectives. In addition, it is important that working papers be neat, clear and legible. Audit staff should use computers as much as possible in preparing working papers, for example, spreadsheet and database software allow auditors to perform quantitative analysis and other data manipulations that would be difficult if attempted manually.

Preparing Working Papers

Working papers should be understandable without verbal explanation. A reviewer should be able to readily determine their purpose, data sources and the nature and scope of work conducted.

Write-ups of interviews, meetings, analyses and tests, should be labelled appropriately. At a minimum, write-ups should include:

- (a) Heading – The heading consists of the audit name usually the division and/or function being audited and name of the computer file if the document is computer generated.

- (b) Name of Person Interviewed – The auditor indicates the name of the person interviewed, as well as their position title and organizational affiliation.
- (c) Auditor Name – The auditor preparing the working paper initials or signs the working paper.
- (d) Date/Time/Place – The auditor indicates the date, time and place of the interview or meeting.
- (e) Title/Purpose – A descriptive title is provided indicating the nature and purpose of the analysis or test.
- (f) Subject/Purpose – A description of the nature and purpose of the interview or meeting is provided.
- (g) Source – An explanation of the source of the data contained in the working paper.

Records, memoranda and other documents obtained during the audit should be labelled to indicate the source and date received.

Organizing and Numbering Working Papers

Working papers should be organized in a logical manner. As working papers are gathered and prepared, they should be placed in a two-ring working paper file(s). Each binder contains information relating to the audit and has logical division points (e.g. audit objective) for sub-categorizing throughout the working papers.

Auditors should refer to the File Index ([Form 8](#)) in organizing working papers. The File Index contains five general sections for organizing the working paper file:

- A. Reporting Results
- B. Project Management
- C. Quality Assurance
- D. Planning/Survey Results
- E. Audit Fieldwork

Actual numbering of working papers may occur anytime during fieldwork or during the early stages of reporting. Since documents are continually added or changed during fieldwork, numbering is often done as auditors prepare for supervisory review. To increase visibility, numbering should be done in **red pen, pencil or computer generated print** in the bottom right-hand corner of each page. Cross-referencing of working papers should also be done in **red pen, pencil or computer generated print** to make references easily identifiable and clearly visible.

Tick marks and explanatory notes by the auditor may be used to help tie working papers together, verify the accuracy of computations or otherwise clarify working papers. Tick marks should be defined, and working papers should be free from unexplained or unnecessary marks and comments by the auditor.

Conclusions, summary spreadsheets and summaries of work performed should be placed in the front of sections and subsections to allow the reviewer to progress from information that is general to information that is more specific. If report text is supported by information on summary working papers, they must be tied back to the supporting working papers.

If supporting spreadsheets or databases are large or contain formulas, working papers can include diskettes to assist the independent reviewer. A paper printout of the summary results along with clear titles, generous narrative notes and formula descriptions will assist the independent reviewer. In addition, reviewers can also access working papers in the protected G drive.

3. Development and Reporting Audit Issues

In conducting fieldwork, auditors need to make sure information gathered for the purpose of completing audit objectives provides adequate support for audit findings and conclusions.

In presenting findings, auditors should document the following elements of an audit issue: criteria, condition, cause, effect and recommendation.

This framework for developing an audit issue, is widely recognized in government auditing as the best approach for presenting audit findings. Widely known as the “Five Elements of a Finding” this approach has been incorporated into the Issue Development Sheet (Form 12) as described below. Clearly developed audit findings assist management and elected officials in understanding the need for taking corrective action (GAS 6.74-6.77).

The Issue Development Sheet ([Form 12](#)) is to be used by auditors for identifying and developing audit findings. Collectively the Issue Development Sheets form the basis for the audit report.

A brief background section provides introductory comments and sets the context for the importance of the audit issue. The other sections of the Issue Development Sheet support the auditor to further develop the audit finding and achieve a better understanding for reporting purposes:

- (i) Criteria – (“What should be?”) Criteria are standards used to measure performance. Criteria can be in the form of laws or regulations, industry standards, statistics and/or historical data.
- (ii) Condition – (“What is?”) Condition is the existing state of affairs and represents a discrepancy between condition and criteria, or “what should be”.
- (iii) Cause – (“Why did it happen?”) Cause is the explanation for the deviation between condition and criteria. Identifying cause is important in order to determine what action is needed to correct the problem.
- (iv) Effect – (“What is the adverse impact?”) Effect represents the impact of the discrepancy between condition and criteria. Effect is frequently stated in quantitative terms such as loss of dollars or productivity.
- (v) Recommendation – (“What should be done?”) The auditors make recommendations to management on actions needed to correct the deficiency. A recommendation is usually the inverse of the cause.

The Issue Development Sheet ([Form 12](#)) is to be used by auditors during each audit phase, including the survey stage. For example, by initiating the Issue Development Sheet in the planning phase, the background on the issue can be written, the criteria selected and potential audit issues identified early in the process.

During the fieldwork stage the audit issue can be further developed into a finding depending on the condition observed and the understanding achieved of any causes and effects. In analyzing findings, it is important for auditors to consider materiality and significance, which are normally judged by the extent of adverse effect (e.g. dollars lost, increased risk to public health, etc.).

Depending on the nature and the significance of the audit issue, auditors will need to record the disposition and note how the issue is to be resolved. While discussions regarding audit issues may be ongoing during the audit, it is particularly important for the auditors to record client comments at the exit meeting and any further action that may be required.

In accordance with *Government Auditing Standards*, and subject to legislative requirements and the judgement of the Auditor General, upon request the Auditor General's Office makes appropriate individuals and audit documentation available to other auditors or reviewers subject to applicable laws and regulations (6.85).

4. Supervision

Audit supervisors must properly manage and supervise audit staff. Elements of supervision include:

- Directing and guiding staff members in conducting work and following standards
- Staying informed about significant problems encountered
- Reviewing the work performed before the audit report is issued, and
- Providing effective on-the-job training

The nature and extent of supervision of staff and the review of audit work may vary depending on a number of factors. Reviews of audit work should be documented. (GAS 6.53-6.55, 6.83c)

5. Exit Conference

The audit team should hold an exit conference with management representatives to discuss the factual accuracy of the findings and relevance of the proposed recommendations.

F. AUDIT REPORTING

The Auditor General's Office prepares a written audit report communicating the results of each audit conducted. Audit reports are issued to City Council through the Audit Committee for consideration and adoption. The Audit Committee and or City Council may make additional recommendations before the report is adopted. (GAS 7.03-7.05)

If an audit is terminated before it is completed and no audit report is issued, auditors should document results of their work to date and why it was terminated. (GAS 7.06)

1. Characteristics of a Well-written Report

The Office places great emphasis on the quality of audit reports. The value of our work to City Council, management and the public is judged primarily by the quality of our written reports. To be effective, audit reports should have the following characteristics:

Significant and Useful – Matters included in an audit report should be sufficiently significant and useful to justify reporting them. Factors to consider when determining significance include: (1) the degree of

importance by the City Council, management and the public, (2) the relative size of the program measured in dollars, (3) the frequency of occurrence of the problem, and (4) the potential for cost savings, revenue and risk exposure. Typically, significance is judged by effect (e.g., dollars or productivity lost, public endangerment). To be useful, reports should be structured to the needs and interests of the intended audience. The City of Toronto Clerk Secretariat's Web site provides useful guidance related to preparing reports for Council.

(<http://insideto.city.toronto.on.ca/secretariat/index.htm>)

Timely – Reports should be issued as promptly as possible to make them available for timely use by City Council, management and other interested parties.

Accurate and Sound – The Auditor General's Office places great emphasis on the accuracy and soundness of information presented in audit reports. Inaccuracies found in an audit report can cast doubt on the validity of the entire audit and can have a damaging effect on the credibility of the Office. Supervisory review, independent review and proofing and editing of draft reports are all intended to help ensure that information reported is accurate and valid.

Complete yet Concise – The report should contain sufficient information to facilitate the reader's understanding of the audited entity and of the nature and significance of the audit findings. However, the report should also be as concise as possible and avoid excessive detail or repetition that might confuse the reader.

Clear and Simple – To communicate effectively, reports should be presented as clearly and simply as practical. The writing style should be direct and avoid difficult or unnecessary words. When technical terms or abbreviations are used, they should be defined in the text or in a glossary of terms. Graphs, charts, maps and other visual aids should be used to the extent they facilitate the reader's interest and understanding.

Persuasive – Reports should be written in a convincing manner, and conclusions and recommendations should follow logically from the facts. Information presented should be sufficient to persuade the reader of the significance of the findings, the reasonableness of the conclusions and the importance of taking action to correct the identified deficiencies.

Objective and Balanced – Audit reports should be presented in a fair and objective manner and contain sufficient information to give the reader a proper perspective. Auditors should avoid exaggerations or overemphasis of deficiencies identified. The tone of the report should be constructive in order to foster a favourable reaction to findings and recommendations. Although criticism of past performance may be necessary to demonstrate

the need for management improvement, emphasis should be placed on making improvements in the future. In addition, the audit report should cite significant noteworthy accomplishments of the auditee which relate to the audit objectives.

2. Stages in the Reporting Process

There are several stages in the reporting process, beginning with preparation of the report outline. [Form 15 Report Writing Checklist](#) provides auditors a guide to assist in ensuring that office report writing standards are met. The various stages of the reporting process are intended to ensure that the report issued is consistent with “Characteristics of a Well-written Report” and has received review and input from the Auditor General, management and other appropriate parties. In general, the typical audit report will develop through the reporting process in the manner described below.

Draft Report Outline – This document is a tool for the audit team to obtain input/direction from the Auditor General and Director on significant audit issues and proposed organization of the audit report.

Final Draft – The draft report, with the approval of the Auditor General, is transmitted to the City Manager, division head or other management representatives. This normally occurs after an exit conference has taken place with appropriate members of management staff. A draft report and management response template is available on the Auditor General's "G" drive. This template should be used to assist in developing a cover letter to management which provides information to assist management in providing a timely response in the appropriate format.

Final Report – Normally, few changes are made to the final draft report before the final report is prepared for distribution to the Audit Committee and City Council. There may be formatting changes made to enhance the readability and professionalism of the report. However, these are format changes only, not substantive changes to information contained in the report. In addition, the written responses received from the appropriate management of the audited entity are included in the audit report submitted to the Audit Committee.

Report Release and Distribution – Whereas the City Clerk is primarily responsible for the public release and distribution of audit reports, the Auditor General may also distribute the report to appropriate management representatives.

Distribution of reports completed under GAGAS depends on the relationship of the auditors to the audited organization and the nature of

the information contained in the report. If the subject of the audit involves material that is classified for security purposes or contains confidential or sensitive information, auditors may limit report distribution. Auditors should document any limitation on report distribution.

In accordance with *Government Auditing Standards* audit reports should be distributed to:

- Those charged with governance
- The appropriate officials of the audited entity
- The appropriate oversight bodies or organizations requiring or arranging for the audits
- Others authorized to receive such reports as appropriate.

The Auditor General's Office should communicate results to parties who can ensure that the results are given due consideration. (GAS 7.44a)

It is important that City Council and the appropriate management representatives receive a copy of the audit report prior to release to the media. In the unlikely event that circumstances prevent this from occurring, immediate steps should be taken to notify the Auditor General so that the Audit Committee Chair can be notified of the situation.

When the Office receives a request for audit information from visually impaired persons or others for whom our audit report format is not appropriate, provisions will be made through the City Clerk to ensure that audit results are made accessible to them.

3. Audit Report Contents and Format

Audit reports prepared by the Auditor General's Office generally adhere to the format described below. There are circumstances however, where these general guidelines will not be appropriate (e.g. investigations, research or analysis resulting in limited work and communicated in an abbreviated letter or Report to Management). The City of Toronto Clerk Secretariat's Web site provides useful guidance related to the required reporting template and preparing reports for Council.

<http://insideto.city.toronto.on.ca/secretariat/index.htm>

Audit Report – The audit report consists of a covering report, with a detailed report attached as Appendix 1. The audit report is addressed to the Audit Committee and is signed by the Auditor General. As requested by City Councillors, the covering report will contain all audit recommendations, including those contained in the attached detailed report.

The audit report describes the nature, scope and methodology of the audit, and may refer to the Auditor General’s follow-up process to determine the status of outstanding recommendations, a word of appreciation to the audited entity for its cooperation when appropriate and contains other information as appropriate.

Table of Contents – The table of contents is used when a supplementary document is attached to the covering report. The table of contents lists the major sections and headings in the report with corresponding page numbers. When appropriate, a list of tables and figures may also be included in the table of contents.

Audit Report in Brief (or Executive Summary) – This section provides a concise description of the report contents, including findings, conclusions, recommendations and other pertinent information.

Background – This section contains: (1) an introductory paragraph which states the overall nature and purpose of the audit, (2) an explanation of why the audit was performed (i.e. included in the Annual Work Plan or City Council referral), and (3) background information which introduces the reader to the department or function audited.

Audit Objectives, Scope and Methodology – This section contains a description of the scope and objectives of the audit, the major steps followed in conducting the audit and any limitations and constraints (GAS 7.09).

When auditors comply with all applicable GAGAS requirements, they should use the following language, which represents an unmodified GAGAS compliance statement, in the audit report to indicate that they performed the audit in accordance with GAGAS.

“We conducted this performance audit 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.”(GAS 7.30)

When auditors do not comply with all applicable GAGAS requirements, they should include a modified GAGAS compliance statement in the audit report. (2.24 (b), 7.31)

If certain pertinent information is prohibited from public disclosure or is excluded from a report due to the confidential or sensitive nature of the information, auditors should disclose in the report that certain information has been omitted and the reason or other circumstances that makes the

omission necessary. In addition, the nature of any confidential or sensitive information omitted should be included in the report, if applicable.

When certain information is classified or otherwise prohibited from general disclosure by federal, provincial or local laws or regulations, auditors may issue a separate, classified or limited use report to only authorized persons. Auditors should evaluate whether excluding certain information is appropriate considering the broad public interest in the program or activity under review. When audit organizations are subject to public record laws, auditors should determine whether those laws could impact the availability of classified or limited use reports and whether other means of communicating to officials would be more appropriate. (GAS 7.08, 7.39-7.43)

Audit Results – This section contains discussion of the detailed audit results including audit issues, conclusions and recommendations. Auditors should present sufficient, appropriate evidence to support the findings and conclusions in relation to the audit objectives. (GAS 7.14)

The report normally includes discussion of all five finding elements (condition, criteria, cause, effect and recommendation). The emphasis placed on each finding element and the order of presentation will vary depending on the nature and significance of the problem. For detailed discussion on the five finding elements, please refer to Section III E (3) Field Work.

Auditors should describe in their report, limitations or uncertainties regarding the reliability or validity of evidence. Auditors should also place their findings in perspective, disclose significant facts relevant to the objectives of their work, and report deficiencies in internal control significant to the audit objectives. (GAS 7.15-7.18)

If after the report is issued, auditors discover that they did not have sufficient, appropriate evidence, they should communicate this information to appropriate officials, remove the report from any publicly accessible website, and determine whether to conduct additional audit work necessary to reissue the report with revised findings or conclusions. (GAS 7.07)

Auditors should also include in this section (1) the scope of their work on internal control and (2) any deficiencies in internal control significant to the audit objectives based upon the audit work performed. (GAS 7.19)

When auditors detect deficiencies in internal control that are not significant to the objectives of the audit but warrant the attention of those charged with governance, they should include those deficiencies either in

the report or communicate those deficiencies in writing to audited entity officials. Auditors should refer to that written communication in the audit report if the written communication is separate from the audit report. (GAS 7.19)

When auditors conclude, based on sufficient, appropriate evidence, that fraud, noncompliance with provision of laws, regulations, contracts or grant agreements, or abuse either has occurred or is likely to have occurred, they should report the matter in writing, as a finding. (GAS 7.21-7.23)

Auditors should report known or potential fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse directly to parties outside the audited entity when: (1) the entity fails to satisfy legal or regulatory requirements to report such information to external parties, and/or (2) when entity management fails to take timely and appropriate steps to respond to known or potential fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse. (GAS 7.24 – 7.26)

When appropriate, the audit results section may additionally discuss: (1) the status of known uncorrected findings from prior audits related to the audit objectives, (2) pertinent, noteworthy accomplishments of the auditee, and (3) significant issues needing further study or consideration.

Auditors should recommend actions to correct problems identified during the audit and to improve programs and operations when the potential for improvement in programs, operations, and performance is substantiated by the reported findings and conclusions. Auditors should make recommendations that flow logically from findings and conclusions. Recommendations should be directed at resolving the cause of identified problems. Auditors should clearly state the actions recommended. (GAS 7.28)

Conclusion – Report conclusions are based on the audit objectives and audit findings. Report conclusions are logical inferences about the program based on the auditors' findings, not merely a summary of the findings. (GAS 7.27)

Attachments – Useful or important information that is too detailed to include in the body of the detailed report may be attached as exhibits. Exhibits are assigned numbers (1, 2, 3, etc.) and are always referenced in the body of the report.

Management's Written Response – *Government Auditing Standards* require that audit reports include pertinent views of the officials of the audited organization concerning the auditor's issues and recommendations and their planned corrective action. Providing a draft report with findings

for review and comment by responsible officials of the audited entity and others helps the auditors develop a report that is fair, complete, and objective. Written responses are typically received from the appropriate management representative of the audited entity and included in the audit report submitted to Audit Committee. (GAS 7.32-7.33)

As a means for facilitating a systematic and organized process for obtaining management's response to audit reports, an agreed upon written protocol has been implemented. In order to facilitate the completion of audits as well as the reporting of audit results and management's response to audit recommendations, the Auditor General and the City Manager have agreed on the key requirements and timelines outlined in the "Protocol for Finalizing Auditor General Reports and Management Response and Implementation of Audit Recommendation Reports". This document is included as [Appendix C](#) of this Audit Manual. Staff is expected to have a detailed knowledge of this protocol as it is important in ensuring the timeliness of audit reports as well as management's response.

Obtaining oral comments may be appropriate when, for example, there is a reporting date critical to meeting a user's needs. This is acceptable under circumstances where auditors have worked closely with responsible officials throughout the audit and the parties are familiar with the findings and issues addressed in the draft report; or the auditors do not expect major disagreements with the findings, conclusions, and recommendations in the draft, or major controversies with regard to the issues discussed in the draft report. (7.36)

The Office may choose to prepare rebuttal comments to management's written response if it contains comments, which oppose audit findings, conclusions or recommendations and, in our opinion, are not valid. If the comments are valid, the audit report should be modified. (GAS 7.37)

4. Completion of Administrative File and Working Papers

The responsibility for the completion of the Administrative File and Working Papers are as follows:

1. the audit team is responsible for ensuring working papers are numbered and organized with cover sheets
2. the audit team is responsible for completing an Audit Data Sheet ([Form 13](#)) indicating performance achieved on the audit in various categories
3. the audit team should prepare an abstract of the audit for submission to the Association of Local Government Auditor's Quarterly Newsletter (<https://ky-alga.civicplus.com/>)

4. the audit team is responsible for reviewing the Administrative Checklist ([Form 14](#)) once it is completed by the Administration Staff
5. the audit team is responsible for completing the Final Review Checklist ([Form 4](#)), and
6. the Administrative Staff binds the working papers, assigns the working paper an audit filing cabinet number, updates the master list (spreadsheet) of filed working papers, and places them in the audit file drawers.
7. the audit team should prepare an abstract of the audit for submission to the preparer of the AG's Annual Benefit Report ([Appendix H](#)).

G. SUPERVISORY AND INDEPENDENT REVIEW

Government Auditing Standards require evidence of supervisory review before the auditor's report is issued, of work performed supporting findings, conclusions and recommendations included in the report.

The audit team is responsible for indexing the draft to supporting working papers so that every substantive item of information can be traced to a source. Indexing is done by placing cites to specific working papers on the draft in the right-hand margin of each page. Indexing cites may also be placed directly above dates, dollar figures and other data in the narrative. Summaries should be indexed back to pages of the report containing the supporting information.

Supervisory Review

Supervisory Review consists of the Senior Audit Manager (or the auditor in charge) and Director involved in the planning, fieldwork and reporting of the project. The purpose of the supervisory review is to verify the validity, accuracy and sufficiency of audit working papers and information contained in the audit report.

When the draft has been completely indexed, the reviewer (Senior Audit Manager and/or Director) checks the working paper cites and verifies information for accuracy and adequacy of support. Once satisfied that the information is accurate and adequately supported, the reviewer indicates approval on the draft. When all information on a page has been verified, the reviewer initials and dates the page in the space provided.

The Director and/or Auditor General should read the draft report to get an overview of the topics and may wish to discuss general issues and methodology with the Senior Audit Manager. Summaries are reviewed last, after review of the indexed pages in the report, ensuring that summary statements are supported by

information in the body of the report. Tables and charts should be proofed, calculations verified and agreement between text and exhibits checked.

In judging the adequacy of audit evidence, the reviewer should consider the importance of the facts to the finding. For example, an interview write-up may be adequate to support a minor point in the background, whereas a measure of effect should be supported with verified data. Auditor opinion may be cited as support for a statement, but the reviewer should put the idea under additional scrutiny to assure that it is common knowledge and that it is not a key element of the finding. Reviewers should also develop an understanding of the degree of accuracy and specificity that is necessary and sufficient to support audit findings.

Reviewers should watch for hyperbole (generalizations) in the report, which may not be supportable. As an independent reader, the reviewer should look for consistency in language, ideas that can be more simply stated or jargon that can be avoided or may need definition.

When the reviewer discovers inaccuracies or disagrees with audit logic or adequacy of support, a circled number should be placed near the questioned information and describe their comment on the Review Sheet ([Form 3](#)). Minor comments can be handled informally/verbally, however, all substantive comments should be recorded on the Review Sheet. Review comments may be given to the auditor to clear when convenient (i.e. at the end of major sections), when there is a sufficient number or when the reviewer is done with a volume of working papers. The auditor responds to each comment made by the reviewer and documents action taken and/or additional information included.

If a disagreement arises which the auditor and reviewer are unable to resolve, the Auditor General or Director intervenes to make a final decision on the matter. Supervisory review is complete when all review comments have been cleared. Text changes to the draft are made in a distinctly coloured pen or pencil so that changes to the text can be clearly seen. When all comments have been resolved, the independent reviewer should initial and date the page.

While reviewers make suggestions for strengthening documentation and improving report presentation, they should not become involved in conducting analyses and/or preparing working papers.

Independent Review

Independent review consists of audit staff not directly involved in the fieldwork of a project reviewing and verifying the validity and accuracy of information presented in the audit report. The reviewer traces all facts and statements to supporting working papers to ensure information is accurate and factual. Reviewer comments should be documented on the Review Sheet ([Form 3](#)).

Reviewers conducting an independent review should adhere to the same guidelines as those provided for Supervisory Review described above.

H. AUDIT FOLLOW-UP

Government Auditing Standards state that "Managers have fundamental responsibilities for carrying out government functions. Management of the audited entity is responsible for addressing the findings and recommendations of auditors, and for establishing and maintaining a process to track the status of such findings and recommendations.

(A1.08 (f))

While management is responsible for addressing audit findings and recommendations and tracking the status of resolution, the Auditor General has established policies and procedures for follow-up to determine whether previous findings and recommendations have been addressed. Audit recommendations are a result of audit work performed City-wide.

Procedures related to the Auditor General's annual follow-up on outstanding audit recommendations are as follows:

- (a) Upon City Council approval of the Auditor General's original report and management's response, the recommendations and expected date of implementation are recorded in a database maintained by the Auditor General. On an annual basis (every 12 months) the Auditor General notifies the City Manager or appropriate management representative (for ACs) in writing of all outstanding recommendations.
- (b) The appropriate division official then provides a written status report to the City Manager or appropriate management representative (for ACs) who then reports this information to the Auditor General.
- (c) Upon notification that corrective action has been taken to implement a recommendation, the Auditor General takes the necessary steps to verify that corrective action has been taken.
- (d) The Auditor General prepares a summary report to the Audit Committee and City Council.