



**CITY OF HAMILTON**  
**CITY MANAGER'S OFFICE**  
**Audit Services Division**

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	January 19, 2015
<b>SUBJECT/REPORT NO:</b>	Annual Follow Up of Outstanding Audit Recommendations (AUD15002) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Ann Pekaruk 905-546-2424 x4469 Brigitte Minard 905-546-2424 x2088
<b>SUBMITTED BY:</b>	Ann Pekaruk Director, Audit Services City Manager's Office
<b>SIGNATURE:</b>	

**RECOMMENDATION**

That Report AUD15002, respecting the 2014 Annual Follow Up of Outstanding Audit Recommendations, be received.

**EXECUTIVE SUMMARY**

The annual follow up process results in a report which provides information on the status of the implementation of the outstanding recommendations made since 2005. In addition, a matrix outlining the recommendations which continue to be in various states of incomplete implementation (i.e. not completed, initiated, in progress, alternative initiated or undetermined) is provided as Appendix "A" of Report AUD15002.

From 2005 to March 31, 2014, 1,056 recommendations were made. After the completion of the annual follow up work, it was verified that another 151 recommendations (above the 780 reported in the prior year) had been fully implemented, leaving 125 still in an uncompleted state. Therefore, for purposes of this Report, there is a completed implementation rate of 88% on the 1,056 recommendations, a slight increase from the 85% completion rate reported in February, 2014.

***Alternatives for Consideration –Not Applicable***

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS (for recommendation(s) only)**

Financial: None.

Staffing: None.

Legal: None.

**HISTORICAL BACKGROUND (Chronology of events)**

On April 13, 2011, Council approved a process for an annual follow up of outstanding audit recommendations. The process was designed to be a positive assurance exercise in which Internal Audit reports on the status of management's implementation of the audit recommendations made since 2005.

In January, 2013, an overall completion percentage target of 95% was proposed to Committee, allowing a balance of 5% not completed to account for action plans that may require longer timeframes to implement (e.g. new systems application, legislative changes).

During the period June to September, 2014, Internal Audit performed testing to verify the status of the implementation of the recommendations.

**POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

None.

**RELEVANT CONSULTATION**

Internal Audit consulted with staff across all departments of the City of Hamilton to verify the status of outstanding recommendations.

**ANALYSIS AND RATIONAL FOR RECOMMENDATION  
(Include Performance Measurement/Benchmarking Data if applicable)**

The annual follow up of outstanding audit recommendations is an extension of Internal Audit's standard follow up process which occurs 12 to 18 months after the issuance of the original audit report. All recommendations found to be in non fully implemented states (i.e. incomplete, initiated, in progress, alternative initiated or undetermined) are subjected to additional annual follow up verification until a completed status is reached. This process provides an annual Committee update on the status of the implementation of recommendations made in the past audit reports.

From January 1, 2005 to March 31, 2014, the 1,056 recommendations that were followed up by Internal Audit (regular and annual follow up) have an 88% completion rate (Table 1). This is a slight increase from the 85% completion rate reported in February, 2014.

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**Table 1 – Recommendations Completed**

<b>Year</b>	<b>Recommendations</b>	<b>Completed</b>	<b>Not Completed</b>	<b>% Complete</b>
2005	101	99	2	98%
2006	50	48	2	96%
2007	152	141	11	93%
2008	123	120	3	98%
2009	114	107	7	94%
2010	251	196	55	78%
2011	161	141	20	88%
2012	104	79	25	76%
<b>Total</b>	<b>1,056</b>	<b>931</b>	<b>125</b>	<b>88%</b>

During the annual follow up conducted between June and September, 2014, Internal Audit also updated the status of the 125 recommendations that remain outstanding (see Table 2).

**Table 2 – Recommendations Outstanding**

<b>Year</b>	<b>O/S</b>	<b>Status Update</b>				
		<b>IP</b>	<b>I</b>	<b>NC</b>	<b>U</b>	<b>AIN</b>
2005	2	2	0	0	0	0
2006	2	2	0	0	0	0
2007	11	9	1	1	0	0
2008	3	2	0	1	0	0
2009	7	7	0	0	0	0
2010	55	41	7	4	0	3
2011	20	10	6	3	1	0
2012	25	8	5	12	0	0
<b>Total</b>	<b>125</b>	<b>81</b>	<b>19</b>	<b>21</b>	<b>1</b>	<b>3</b>

Legend:

O/S – Outstanding

IP – In Progress

I – Initiated

NC – Not Completed

U – Undetermined

AIN – Alternative Initiated

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Management has committed to completing the remaining recommendations as detailed in the matrix of Outstanding Audit Recommendations attached as Appendix "A" to Report AUD15002. Most of the recommendations will be completed before 2015 year end. Some recommendations, however, have a longer term implementation due to required new systems or completion of extensive projects. The matrix will be updated with each annual review to include the addition of new recommendations determined as not completed during standard follow ups (which will add to the database) in the year, as well as, the deletion of recommendations verified as completed in the annual follow up exercise.

**Table 3 – Recommendations Not Completed By Year/Department**

<b>Department</b>	<b>NC</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
City Manager's Office	12	0	0	0	0	0	9	3	0
Community and Emergency Services	29	1	0	1	0	1	4	0	22
Corporate Services	30	0	2	0	0	3	13	12	0
Hamilton Public Library	5	0	0	5	0	0	0	0	0
Planning & Economic Development	7	0	0	0	0	2	2	3	0
Public Health Services	3	1	0	0	0	0	0	1	1
Public Works	39	0	0	5	3	1	27	1	2
<b>Total</b>	<b>125</b>	<b>2</b>	<b>2</b>	<b>11</b>	<b>3</b>	<b>7</b>	<b>55</b>	<b>20</b>	<b>25</b>

Legend:

NC – Not Completed

This type of process is considered a best practice. It ensures Management is held accountable for the implementation of action plans to which it has committed. It provides valuable and timely information to members of the Audit, Finance and Administration Committee as part of its responsibilities for the oversight of the control environment.

Audit Services conducted this follow up exercise in conformity with the *International Standards for the Professional Practice of Internal Auditing*. Audit Services believes that the work performed provides a reasonable basis for the follow up comments and conclusions.

**ALTERNATIVES FOR CONSIDERATION**

**(Include Financial, Staffing, Legal and Policy Implications and Pros and Cons for each alternative)**

Not applicable.

**ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN**

**Strategic Priority #2**

Valued & Sustainable Services

*WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.*

**Strategic Objective**

- 2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.

**Strategic Priority #3**

Leadership & Governance

*WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.*

**Strategic Objective**

- 3.4 Enhance opportunities for administrative and operational efficiencies.

**APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” to Report AUD15002

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