



CITY OF HAMILTON
CITY MANAGER'S OFFICE
Audit Services Division

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	March 7, 2016
SUBJECT/REPORT NO:	2015 Annual Follow Up of Outstanding Audit Recommendations (AUD16001) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Brigitte Minard CPA, CA, CIA, CGAP 905-546-2424 x2088
SUBMITTED BY:	Charles Brown CPA, CA, CPA (Illinois) Director, Audit Services City Manager's Office
SIGNATURE:	

RECOMMENDATION

That Report AUD16001, respecting the 2015 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 database 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 maintained by the Audit Services Division.

From 2005 to March 31, 2015, 1,133 recommendations were made. After the completion of the annual follow up work, it was verified that another 98 recommendations (above the 931 reported in the prior year) had been fully implemented, leaving 104 still in an uncompleted state. Therefore, for purposes of this Report, there is a completion rate of 91% for the 1,133 recommendations, an increase from the 88% completion rate reported in the prior year.

Table 1 – Overall Completion Rates

2011	2012	2013	2014	2015
79%	89%	85%	88%	91%

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 Audit Services 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 October 2015 Audit Services performed testing to verify the status of the implementation of the recommendations.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

None.

RELEVANT CONSULTATION

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

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

The annual follow up of outstanding audit recommendations is an extension of Audit Services' 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. not completed, 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, 2015, the 1,133 recommendations that were followed up by Audit Services have a 91% completion rate (Table 2). This is a slight increase from the 88% completion rate reported in January 2015. Overall, this is the highest completion rate since this annual project began in 2011 (Table 1).

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The scope of recommendations included in this project were audits that had both an audit report and a follow up audit report submitted to the Audit, Finance and Administration Committee by March 31, 2015. There are other recommendations that have been made and are pending resolution, but these are still part of the regular audit follow up process and have not yet reached the annual follow up audit stage.

Table 2 – Recommendations Completed

Year	Recommendations	Completed	Outstanding	% Complete
2005	101	101	0	100%
2006	50	50	0	100%
2007	152	144	8	95%
2008	123	120	3	98%
2009	114	108	6	95%
2010	251	217	34	86%
2011	161	148	13	92%
2012	104	93	11	89%
2013	77	48	29	62%
Total	1,133	1,029	104	91%

During the annual follow up conducted between June and October 2015, Audit Services also updated the status of the 104 recommendations that remain outstanding (see Table 3).

Table 3 – Recommendations Outstanding

Year	O/S	Status Update				
		IP	I	NC	U	AIN
2005	0	0	0	0	0	0
2006	0	0	0	0	0	0
2007	8	7	0	1	0	0
2008	3	1	1	1	0	0
2009	6	6	0	0	0	0
2010	34	30	2	1	0	1
2011	13	8	1	3	1	0
2012	11	6	0	5	0	0
2013	29	16	4	9	0	0
Total	104	74	8	20	1	1

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 above. Many of the recommendations will be completed before mid-2016. Some recommendations, however, have a longer term implementation due to required new systems or completion of extensive projects. The tables are updated with each annual follow up to include the addition of new recommendations determined as not completed during standard follow ups, as well as the removal of recommendations verified as being completed during the annual follow up exercise. Please refer to Table 4 below for a summary of outstanding recommendations by department.

Table 4 – Recommendations Outstanding By Year/Department

Department	O/S	2007	2008	2009	2010	2011	2012	2013
City Manager's Office	5	0	0	0	5	0	0	0
Community and Emergency Services	17	1	3	1	0	0	10	2
Corporate Services	26	0	0	3	12	11	0	0
Hamilton Public Library	3	3	0	0	0	0	0	0
Planning & Economic Development	4	0	0	1	2	1	0	0
Public Health Services	5	0	0	0	0	0	0	5
Public Works	44	4	0	1	15	1	1	22
Total	104	8	3	6	34	13	11	29

Legend:

O/S – Outstanding

This type of process is considered a best practice and aligns with the professional standards from the Institute of Internal Auditors that the Audit Services Division adheres to. The annual follow up process ensures that Management is held accountable for the implementation of action plans to which it has committed. It provides valuable 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

None.

bm:ah