



CITY OF HAMILTON
CITY MANAGER'S OFFICE
Audit Services Division

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	August 16, 2017
SUBJECT/REPORT NO:	2016 Annual Follow Up of Outstanding Audit Recommendations (AUD17020) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Charles Brown CPA, CA, CPA (Illinois) 905-546-2424 x4469
SUBMITTED BY:	Charles Brown CPA, CA, CPA (Illinois)
SIGNATURE:	

RECOMMENDATION

That Report AUD17020, respecting the 2016 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. As directed by City Council on April 11, 2016, this report examines those recommendations that have remained outstanding for 5 years or longer.

Of the 952 audit recommendations that pertain to audits 5 years or longer (that is from 2005 to 2011 inclusive), it was determined that 911 (96%) were completed. Therefore, 41 (4%) recommendations are still in an uncompleted state.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: None
Staffing: None
Legal: None

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HISTORICAL BACKGROUND

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 allow for action plans that may require longer timeframes to implement (e.g. new systems application, legislative changes etc.)

On April 11, 2016, Council directed Audit Services to investigate and report on audit recommendations made to City management that have remained outstanding for 5 years or longer, and to continue to follow-up and report back annually for all other recommendations.

During the period December 2016 to May 2017, 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

The annual follow up of outstanding audit recommendations is an extension of Audit Services' standard follow up process occurring 12 to 18 months after the issuance of the original audit report. All recommendations found not to be fully implemented (i.e. whose status is determined to be: not completed, in progress, initiated, alternative initiated or undetermined) are subject to annual follow up testing until their status is deemed to be completed. This process provides an annual Committee update on the status of the implementation of recommendations made in the past.

The scope of the recommendations reviewed for this report included audits where both an audit report and the initial follow up audit report were submitted to the Audit, Finance and Administration Committee by December 31, 2011. The recommendations made or followed up after December 31, 2011 included in the prior year's annual follow ups are not part of this report.

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Of the 952 recommendations made by Audit Services from January 1, 2005 to December 31, 2011, 909 were completed, for a completion ratio of 95%. This leaves 41 recommendations in various incomplete states (see table 1).

Table 1 – Recommendations Completed

Year	Number of Recommendations	Number Completed	Number Outstanding	% Completed
2005	101	101	0	100%
2006	50	50	0	100%
2007	152	146	6	96%
2008	123	121	2	98%
2009	114	110	4	96%
2010	251	232	19	92%
2011	161	151	10	94%
Total	952	911	41	96%

During the annual follow up conducted between December 2016 and May 2017, Audit Services also updated the status of the 41 recommendations that remain outstanding (see table 2 below)

Table 2 – Recommendations Outstanding (O/S)

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	6	5	0	1	0	0
2008	2	2	0	0	0	0
2009	4	4	0	0	0	0
2010	19	16	2	1	0	0
2011	10	6	0	4	0	0
Total	41	33	2	6	0	0

Legend:

IP – In Progress

I – Initiated

NC – Not Completed

U – Undetermined

AIN – Alternative Initiated

Management has committed to completing the remaining recommendations. Many of the recommendations that are in process will be completed by the end of 2017. Other

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recommendations require more time as they require new systems or they are part of extensive projects. A summary of outstanding recommendations by department is shown in table 3 below.

Table 3 – Recommendations Outstanding (O/S) by Year/Department

Department	O/S	Year				
		2007	2008	2009	2010	2011
City Manager’s Office	5	0	0	0	5	0
Community & Emergency Services	3	0	2	1	0	0
Corporate Services	17	0	0	1	6	10
Hamilton Public Library	2	2	0	0	0	0
Planning & Economic Development	1	0	0	1	0	0
Public Health Services	0	0	0	0	0	0
Public Works	13	4	0	1	8	0
Total	41	6	2	4	19	10

This type of process is considered a best practice and aligns with the professional standards from the Institute of Internal Auditors followed by the Audit Services Division. 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

Not applicable

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Community Engagement & Participation

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community.

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Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report AUD17020 – 2016 Annual Follow Up of Outstanding Audit Recommendations Summary – Status Report (5 Years +).

Cb:dp