

Date: February 4, 2022	Originator's files:
To: Chair and Members of Audit Committee	
From: Paul A. Mitcham, P.Eng., MBA City Manager and Chief Administrative Officer	Meeting date: March 7, 2022

## Subject

**Status of Outstanding Audit Recommendations as of December 31, 2021**

## Recommendation

That the Corporate Report dated February 4, 2022 from the City Manager & Chief Administrative Officer regarding the status of outstanding audit recommendations as of December 31, 2021 be received for information.

## Executive Summary

- This report provides the Audit Committee with an overview of the progress of management action plans created to address issues raised in previous Internal Audit reports, and the reasons when significant delays occur.
- Of the 56 recommendations scheduled for implementation by December 31, 2021, 30 were completed and 26 remain outstanding.
- Twelve additional recommendations are due by the next reporting cycle (June 30, 2022).
- From the Supplies Inventory Audit, three recommendations were completed in advance of the target date.
- Since the previous report, six long-delayed recommendations were implemented and closed. Eleven remain on the list, with eight expected to be implemented in 2022.

## Background

The terms of reference for the Audit Committee (By-law 0069-2015) requires the submission of an annual report from the City Manager and Chief Administrative Officer indicating the progress made in resolving the issues previously raised by Internal Audit and by the City's External Auditor. At the November 2011 Audit Committee meeting, members requested that bi-annual progress updates be submitted. These status reports are provided for the period ending June 30 and December 31 each year.

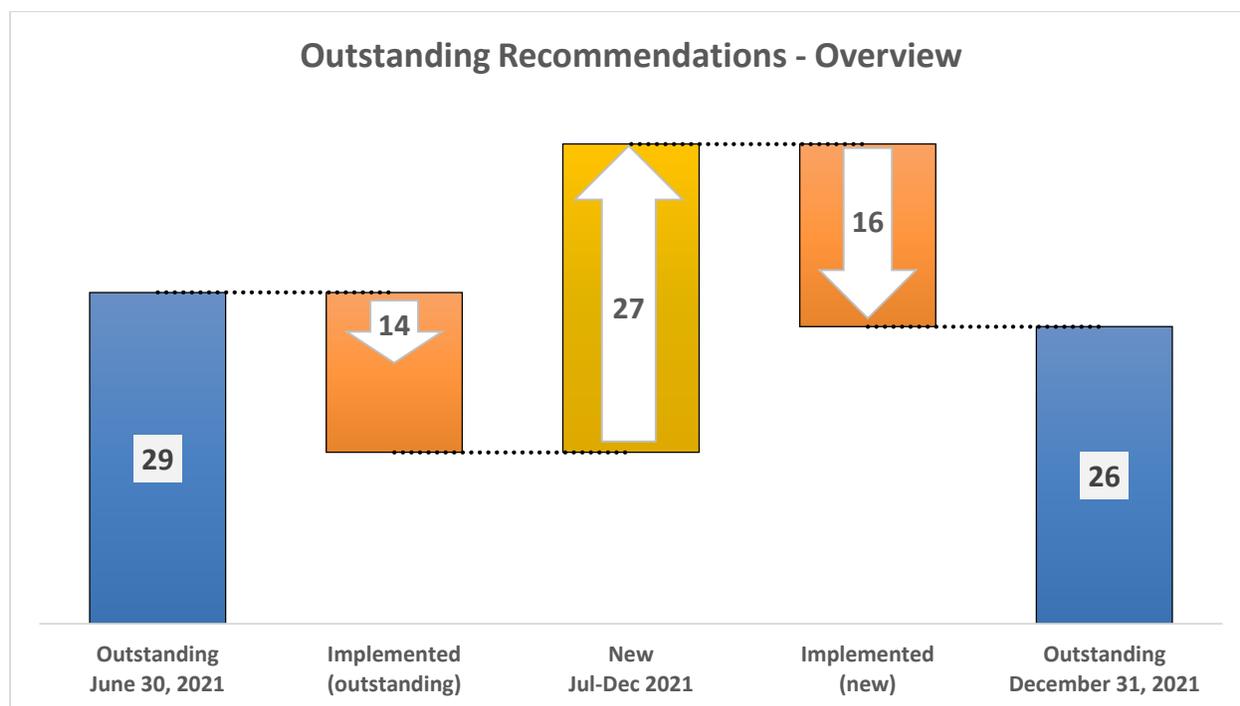
The value of Internal Audit is reflected in the effective realization of improvements in the control environment. Through Audit’s observations and recommendations, risks are identified and action plans are developed to address risks and control gaps. The effective monitoring and implementation of action plans ensures those risks are mitigated to an acceptable level.

The current report includes some of those insights and shows the progress achieved as of December 31, 2021.

## Comments

The current status of the recommendations is provided by the various action owners throughout the Corporation. Internal Audit provides support and advice as required and validates the solutions when they are reported as “Completed.”

The evolution of the audit recommendations since June 30, 2021 (the effective date of the previous status report to the Audit Committee) is presented in the chart below.



**Outstanding** – actions whose due date is on or before the specified date and had not been completed as of that date  
**New** – actions whose due dates fall between effective dates of the previous report and this report  
**Implemented** – actions considered completed by the action owners and validated by Internal Audit

As illustrated in the above chart, of the 29 carryover action items from the last report, 14 have since been completed and 15 recommendations remain outstanding. Of the 27 recommendations that were due between July 1 and December 31, 2021, 16 have been completed and the remaining 11 recommendations are in various stages of implementation. In total, there are 26 recommendations that remain outstanding for this reporting period. All completed actions have been validated by Internal Audit.

Significant progress was achieved on the Presto Card Revenue Audit, with a completion of seven recommendations in the period. Additionally, management completed three recommendations from the Supplies Inventory Audit ahead of schedule.

A summary of the progress of recommendations which were outstanding as of June 30, 2021 and those scheduled for completion from July 1 to December 31, 2021 is provided in **Appendix 1**.

In addition to the above-mentioned outstanding recommendations, there are 35 other action items in the pipeline due on future dates. Twelve of these are due within the next six-month period.

### **Delayed solutions**

For recommendations that have been extended for more than a year from their original target dates, management has provided their rationale for these delays, and where applicable, Internal Audit asked whether effective compensating controls were in place. By highlighting these, the action owners can resolve the delay or implement a temporary solution in the interim.

While many action plans are completed on time, or with minimal delays, currently 11 outstanding recommendations have been delayed between one and four years from their original target dates. While we are working to further reduce this backlog, good progress has been made since our previous report, with six such recommendations being implemented in the period.

In previous iterations of this report, the count of long-delayed solutions included only those whose original due dates were already overdue for more than a year based on the reporting period. That is, actions which were not past their original due date for more than a year were not counted, even if management had already postponed their completion. This method would have highlighted only eight long-delayed outstanding recommendations.

In order to provide a more proactive depiction of the potential delays in implementation, starting in this reporting cycle, the count includes all long-delayed solutions (i.e. those which were pushed for more than a year, based on the original target dates and revised target dates), regardless of whether the original target has passed.

Since the last report, there has been progress with the Street Lighting Program Audit, reducing the delayed action items from four to one. We also saw closure of recommendations from the Mississauga Sport Zone Cash Handling, Library Acquisitions, and Single, Sole Source and Emergency Acquisition audits.

The remaining long-delayed actions from the previous report include audits from CLASS Facilities Rental, Street Lighting Program and Non-Union Payroll which have expected completion dates of April 2022, December 2022 and December 2023, respectively. Other audits added to the list include Infrastructure Services IT Hardware, Traffic Signals and Systems, Stormwater Revenue, Fire Fleet Acquisition and Sign Shop.

All 11 long-delayed actions have revised target dates, as well as further clarifications provided by management, which are detailed in **Appendix 2**. The revised target dates for these actions span from March 2022 to October 2024.

## Financial Impact

There are no financial impacts resulting from the Recommendation in this report.

## Conclusion

In summary, 56 recommendations were scheduled for implementation prior to December 31, 2021 (effective date of this report) and 30 of them were completed. Work continues on the implementation of the 26 recommendations that were outstanding as of December 31, 2021 and will be closely monitored to ensure timely implementation. Additionally, three recommendations were implemented in advance of this reporting cycle. Long-delayed actions are being prioritized by management and, where necessary, temporary solutions to mitigate the risks will be implemented, while the action owners work on implementing the final solution.

## Attachments

Appendix 1: Status of Audit Recommendations Outstanding as at December 31, 2021

Appendix 2: Status of Audit Recommendations Outstanding and Extended for More Than a Year as of December 31, 2021



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