



SUBJECT: Summary of audit results - GL account reconciliation follow up

TO: Audit Committee

FROM: City Auditor's Office

Report Number: CA-12-19

Wards Affected: Not Applicable

File Numbers: 430-03-Finance

Date to Committee: September 11, 2019

Date to Council: September 23, 2019

Recommendation:

Receive and file city auditor's office report CA-12-19 providing summary of audit results – GL account reconciliation follow-up audit in Appendix A.

Purpose:

Provide information and consider reports from the City Manager and/or City Auditor about the recent audit issues identified and the steps documented to resolve them, including management's response to these audit concerns.

An Engaging City

- Good Governance

Background and Discussion:

In 2015, the Manager Financial Services requested an audit within the Financial Services area with specific focus on the general ledger/chart of accounts. A three-phased approach resulted in:

- Phase I - controls over the chart of accounts with an overall rating of GOOD (July 2015).
- Phase II - general ledger account reconciliation with an overall rating of FAIR (February 2017).

- Phase III - testing manual journal entries in the general ledger with an overall rating of GOOD (January 2016).

In the 2016 Financial Review – Phase II audit, there was one high-risk finding related to the operating effectiveness of the reconciliation control. This follow up audit focused on the management action plans implemented to mitigate the risk.

Strategy/process

Overall Audit Rating – **GOOD** (details of the overall audit ratings are located on page 8 of Appendix A to this report).

Summary of Audit Findings & Severity (Measure of Residual Risk)

Category	High	Medium	Low
Reconciliation	-	-	1

Details of Audit Finding Severity Scale are located on page 8 of Appendix A to this report.

The audit report is as follows:

- Summary of Audit Results begins on page 1 of Appendix A to this report.
- Detailed Audit Report begins on page 3 of Appendix A to this report.
- Detailed Findings, Recommendations & Management Action Plans begin on page 5 of Appendix A to this report.

The final audit closing meeting to discuss findings and recommendations was held with the Controller & Manager, Financial Services and Coordinator of Financial Reporting on June 26, 2019. The final report was issued on July 11, 2019 as of June 26, 2019.

Financial Matters:

City Auditor Involvement

- Estimated audit hours for completion: 50 – 75 hours
- Actual hours required to complete: 53 hours

Estimated audit hours were based on general guidelines.

Other Resource Impacts

This audit required direct interaction with a management and staff totaling approximately 9 hours including:

- participation in planning meetings requiring approximately 1 hour,

- discussion (interviews, review of information/process, etc.) with 7 members of management and staff requiring approximately 6 hours, and
- participation in report review meetings requiring approximately 1 hour.

Management and staff will have spent additional time reviewing planning documents and draft reports, as well as, preparing management action plans. The amount of time required for these activities is not tracked by the City Auditor.

Connections:

The general ledger account reconciliation process is a prime candidate for inclusion in business, functional and technical requirements within the financial systems components of the Enterprise Resource Planning project.

Public Engagement Matters:

Not applicable.

Conclusion:

Since 2015, the Manager, Financial Services and Coordinator of Financial Reporting have improved and enhanced the general ledger processes; introducing consistency and reliability to improve the quality of the controls.

Reconciliation is a key control to ensure account balances are accurate and legitimate and transactions are processed in the correct period. When the control is not operating effectively, the organization is at risk of unauthorized activity and unknown errors. The activities and controls in place need fine-tuning to ensure the reconciliation process remains strong.

Respectfully submitted,

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City Auditor

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Appendices:

A. CA-12-19 Appendix A – GL Account Reconciliation Follow Up Audit

Report Approval:

All reports are reviewed and/or approved by Department Director, Director of Finance and Director of Legal. Final approval is by the City Manager.