



ASSURANCE SERVICES

FOLLOW-UP AUDIT

March 2006

**Department of Foreign Affairs and International Trade
Office of the Inspector General
Audit Division (ZIV)**

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EXECUTIVE SUMMARY

The Audit Division (ZIV) carried out a follow-up audit (FUA) in accordance with the division's 2005-07 Audit Plan approved by the Department's Audit and Evaluation Committee.

The scope of the FUA consisted of 67 recommendations¹ contained in six previously issued ZIV financial audit reports². The objective of the FUA was to determine whether stakeholders have made satisfactory progress in implementing these recommendations. It did not include an assessment of the effectiveness of implementation.

The results of the FUA are depicted in the following table:

Recommendation - Implementation Status Rating	Number of Recommendations
Level 1: No implementation or insignificant progress	10 (16%)
Level 2: Substantial implementation	10 (16%)
Level 3: Full implementation	44 (68%)
Total	64¹ (100%)

Of the 20 recommendations that have not been fully implemented, 14 (70%) relate to the Capital Assets Audit which is, of all six engagements included in the audit scope, the most recently completed (i.e. November 2004). This result is understandable as stakeholders have had a considerable shorter period of time to implement the recommendations in comparison to those contained in the five other audit reports included in the scope of the FUA.

In light of the above, the Audit Team is of the view that stakeholders have made satisfactory progress in implementing the recommendations forming the scope of the FUA. They have submitted to ZIV a sound action plan that details the steps they intend to take in order to address the 20 recommendations that have not yet been fully implemented. Target completion dates for the planned action have also been specified.

¹ Three of the 67 recommendations were found to be no longer relevant due to a change in operational/environmental conditions. Accordingly, ZIV assessed the level of implementation of the remaining 64 recommendations.

² See paragraph 2.1.1 for listing of audit reports.

1.0 BACKGROUND

1.1 The FUA was conducted in accordance with ZIV's 2005-07 Audit Plan approved by the Department's Audit and Evaluation Committee.

2.0 AUDIT SCOPE, OBJECTIVE, APPROACH AND TIMING

2.1 Audit Scope

2.1.1 The scope of the FUA consisted of 67 recommendations contained in six ZIV financial audit reports as detailed below:

Audit Report	Report Issuance Date	# of Recommendations
Operation of the Cashier's Office	March 2003	8
Accountable Advances	March 2003	5
Specified Purpose Accounts	March 2003	7
Prepaid Expenses	October 2003	3
Management of Accounts Receivable	January 2004	22
Capital Assets	November 2004	22
Total		67

2.2 Audit Objective

2.2.1 The objective of the FUA was to determine whether stakeholders³ have made satisfactory progress in implementing the 67 recommendations forming the audit's scope. It did not include an assessment of the effectiveness of the implementation. The FUA was not, therefore, a "re-audit" exercise but rather one focussing strictly on assessing the level of progress achieved by stakeholders in implementing the 67 audit recommendations.

2.3 Audit Approach and Timing

2.3.1 The audit approach consisted of conducting interviews with stakeholders, reviewing documentation and carrying out tailored audit procedures. The information gathered was analyzed as the basis of applying the following rating scale to assess the level of stakeholder progress achieved in implementing the selected recommendations:

³ Stakeholders represent the division/bureau to which a recommendation was addressed and that provided the Management "Action and Time Frame" (i.e. response) to ZIV.

ZIV Follow-Up Audit (FUA) - Rating Scale	
Rating Level	Definition
N/A: Not Applicable	Recommendation is no longer relevant due to a change in operational/environmental conditions.
Level 1: No Implementation or Insignificant Progress	Stakeholder has not implemented, or has made insignificant progress in implementing, the action(s) described in its response to the recommendation.
Level 2: Substantial Implementation	Stakeholder has completed most of the planned tasks associated with the implementation of the action(s) described in its response to the recommendation.
Level 3: Full Implementation	Stakeholder has fully implemented the action(s) described in its response to the recommendation.

2.3.2 The FUA took place during the period of September to November 2005.

3.0 FOLLOW-UP AUDIT RESULTS

3.1 The following table summarizes the results of the FUA at the bureau level based on the rating scale described above.

ZIV Follow-Up Audit (FUA) - Corporate Results									
Bureau	Total # of Recs.	# of N/A Recs.	Revised total # of Recs.	Recommendation - Implementation Status					
				Level 1		Level 2		Level 3	
				#	%⁴	#	%³	#	%³
SMD	56	3	53	7	13%	6	11%	40	76%
SRD	3	0	3	1	33%	0	0%	2	67%
SXD	3	0	3	1	33%	2	67%	0	0%
SPD	1	0	1	0	0%	1	100%	0	0%
ISD	3	0	3	0	0%	1	33%	2	67%
CFSI	1	0	1	1	100%	0	0%	0	0%
Total	67	3	64	10	16%	10	16%	44	68%

⁴ Percentage based on the revised total number of recommendations.

3.2 The results of the FUA indicate that:

- a) 44 or 68% of the 64 recommendations⁵ have been fully implemented (i.e. level 3);
- b) 10 or 16% of the 64 recommendations are substantially implemented (i.e. level 2)⁶; and,
- c) 10 or 16% of the 64 recommendations have either not been implemented or have achieved insignificant progress (i.e. level 1)⁵.

3.3 The Audit Team concludes that the stakeholders have made satisfactory progress in implementing the 64 recommendations because 54 or 84% are either substantially or fully implemented. For those recommendations that were assigned a level 1 or 2 rating, stakeholders have submitted to ZIV a sound action plan that details the steps they intend to take in order to fully implement the recommendation. Target dates for the completion of the defined action steps have also been specified as detailed in **Appendix A**.

⁵ Three of the 67 recommendations were found to be no longer relevant due to a change in operational/environmental conditions. Accordingly, ZIV assessed the level of implementation of the remaining 64 recommendations.

⁶ Of the 20 recommendations (i.e. 10 level 2 and 10 level 1) that have not been fully implemented, 14 or 70% relate to the Capital Assets Audit which is, of all six engagements included in the audit scope, the most recently completed (i.e. November 2004). This result is understandable as stakeholders have had a considerable shorter period of time to implement the recommendations in comparison to those contained in the five other audit reports included in the scope of the FUA.

Appendix A - Updated Target Completion Dates

ZIV Follow-Up Audit Stakeholder Updated Target Completion Dates					
Bureau	Audit Report	Rec. #	Current Implementation Status		Updated Target Completion Date
			Level 1	Level 2	
SMD	Cashiers Operations	3.7.6	✓		September 2006
	Accountable Advances	3.1.7		✓	January 2006
	Specified Purpose Accounts	3.2.5		✓	September 2006
	Accounts Receivable	3.7.3		✓	December 2005
		3.12.3		✓	March 2006
	Capital Assets	3.2.5	✓		March 2006
		3.2.6	✓		March 2006
		3.2.7	✓		March 2006
		3.2.8	✓		June 2006
		3.4.5		✓	February 2006
		3.4.6		✓	March 2006
		3.9.3	✓		March 2007
	3.8.12	✓		December 2006	
SRD	Capital Assets	3.8.9	✓		March 2006
SXD	Capital Assets	3.7.5	✓		July 2006
		3.7.6		✓	July 2006
		3.7.9		✓	July 2006
SPD	Capital Assets	3.6.4		✓	February 2006
ISD	Capital Assets	3.5.5		✓	March 2006
CFSI	Accounts Receivable	3.4.3	✓		November 2006
Total			10	10	