



Hamilton

CITY OF HAMILTON

**CITY MANAGER'S OFFICE
Audit Services Division**

TO: Chair and Members Audit, Finance and Administration Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: July 10, 2013	
SUBJECT/REPORT NO: 2013 Performance Audit Work Plan (AUD13022) (City Wide)	
SUBMITTED BY: Ann Pekaruk Director, Audit Services City Manager's Office	PREPARED BY: Ann Pekaruk 905-546-2424 x4469
SIGNATURE:	

RECOMMENDATION

That Appendix "A" attached to Report AUD13022, respecting the 2013 Performance Audit Work Plan, be approved.

EXECUTIVE SUMMARY

On March 21, 2012 the General Issues Committee received Report AUD11028 respecting the implementation of the hybrid Auditor General model and a value-for-money audit program. Two performance auditors have been subsequently hired and commenced their duties on March 18, 2013. A report entitled Initial Performance Audit Project (AUD13015) was presented to the Audit, Finance and Administration Committee at the April 15, 2013 meeting. That report identified four audit projects with potential to produce cost-saving or revenue generating results in a relatively short period of time to provide momentum for the initialization of the value-for-money audit program pending the development of a more thorough work plan.

This report provides the Audit, Finance and Administration Committee with the Performance Audit Work Plan to March 31, 2014. The work plan is based on an assessment of potential projects identified from benchmarking with other municipal auditor general offices, the list of “Opportunities for Service Improvements” from the KPMG Service Delivery Review and reviews of prior City of Hamilton internal audits. Results of inquiries and consultation with Councillors, senior management and internal audit staff were also considered. Various risk factors and related criteria were considered to prioritize the various projects. A focus was placed on projects that may provide cost-saving or revenue-generating opportunities to be in line with Council’s initial expectations of addressing “the low hanging fruit”.

The 2013 Performance Audit Work Plan is a combination of the original four performance audits previously approved and several new audits identified based on the assessment and identification of opportunities for improvements in the efficiency, effectiveness and economy of operations and value for the taxpayer dollars spent. The work plan is attached as Appendix “A” to this Report AUD13022. Appendix “B” provides a list of proposed projects for subsequent years which are deferred for the current period due to limitations in available staff hours.

Alternatives for Consideration – See Page 5

FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial: The recommendation in this report has no financial impact beyond the amount approved in the Audit Services Division’s 2013 budget.

Staffing: Two performance auditors have been hired on a temporary contract basis to carry out the value-for-money audit program as a three year pilot.

Legal: None.

HISTORICAL BACKGROUND (Chronology of events)

On March 21, 2012, subsection (d) of Report AUD11028 was amended by the General Issues Committee to read as follows:

“(d) That, pending receipt of the appropriate resources, the Director of Audit Services be directed to carry out a three year pilot project conducting value-for money audits as approved by Council in the annual work plan, such work plan to

be submitted for approval firstly to the Audit, Finance and Administration Committee in accordance with the Audit Services Charter.”

On April 15, 2013, the Initial Performance Audit Projects (AUD13015) was presented and approved by the Audit, Finance and Administration Committee. That report provided a list of four initial performance audits.

POLICY IMPLICATIONS/LEGISLATED REQUIREMENTS

None.

RELEVANT CONSULTATION

The subjects included in the work plan (Appendix “A”) and in the proposed projects for subsequent years (Appendix “B”) resulted from discussion with and input from individual Councillors, departmental management, internal audit staff and projects performed by other municipal auditor general offices.

ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

Management is primarily responsible for designing, implementing, monitoring and reporting on their operations. However, Council, through the Audit, Finance and Administration Committee, is ultimately responsible for ensuring management fulfils their responsibilities to manage their operations and provide services in the most efficient, effective and economic manners. Audit Services assists Council and management in meeting their operational responsibilities by carrying out audits with the goal of reviewing the various service areas to optimize the operational efficiency and effectiveness of City programs and services and obtaining value for taxpayer dollars spent. The City’s capacity to respond to recommendations arising from any audits and make improvements to its management practices is where the real benefit to the taxpayers will come.

Determining which areas to audit and the appropriate allocation of audit resources are essential in maximizing the value of an effective audit process. Based on the limited timeframe to develop the performance audit work plan, a modified work plan development process was applied. The audit universe of potential performance audit projects was developed from benchmarking with other municipal auditor general offices, the list of “Opportunities for Service Improvements” from the KPMG Service Delivery

Review, reviews of prior City of Hamilton internal audits and inquiries and consultation with Councillors, senior management and internal audit staff.

An assessment of each of the potential projects was performed to determine the relative importance of each audit area and to objectively develop the performance audit work plan. The purpose of the assessment exercise was to ensure all potential projects were evaluated incorporating both risk and value-for-money concepts by using consistent criteria.

The first level of assessment involved the utilization of selected aspects of the risk assessment performed by the City of Hamilton's Internal Audit division with other criteria added to specifically rate the potential impact of a performance audit on the economy, efficiency or effectiveness of the service being provided. These additional criteria considered:

- Financial impact (economy and/or effectiveness);
- Customer satisfaction (effectiveness);
- Non-achievement of objectives (effectiveness); and
- Waste (efficiency and/or economy).

A second level of filtering using the following factors was performed to further narrow down the potential performance audit candidates:

- Had internal audits been performed on the subject area in the past two to three years?
- Was KPMG planning to expand its review on the service?; and
- Were other City of Hamilton initiatives involving the topic currently underway?

The results of the overall assessment are provided attached as Appendix "A" for projects proposed to be completed by March 31, 2014 and Appendix "B" for projects proposed at this time for subsequent years. The Performance Audit work group believes that the work plan provides several opportunities for improvement in the economy of City of Hamilton operations. This focus was taken to be in line with Council's expectations of cost savings or increased revenues.

ALTERNATIVES FOR CONSIDERATION

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

The Committee can decide to add/delete/replace projects from the proposed work plan, taking into consideration the resource limitations. Changes which require the substitution of a planned audit project with a new project may not address areas of greater opportunity for increased economy, efficiency, effectiveness or value for taxpayer dollars spent.

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN:

Strategic Priority #1

A Prosperous & Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

Strategic Objective

1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

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.

2.3 Enhance customer service satisfaction.

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 / SCHEDULES

Appendix "A" to Report AUD13022

Appendix "B" to Report AUD13022

APPENDIX "A"
CITY OF HAMILTON
PROPOSED 2013 PERFORMANCE AUDIT WORK PLAN PROJECTS

1. PREVIOUSLY APPROVED PERFORMANCE AUDIT PROJECTS

Audit Project	Project Description
Cheques	The City incurs more cost to issue a cheque payment as opposed to an electronic fund transfer (EFT) for low dollar value cheques. Cost savings may be realized if cheque payments were replaced using EFTs. A cheque listing will be extracted from the financial system and analyzed to determine when it is more efficient to issue an EFT payment. Related cost savings will be calculated.
Licence Revenue	Most businesses in Hamilton require a license to operate legally. Additional revenue may be realized by identifying unlicensed businesses. This project will entail identifying unlicensed businesses and calculating the related license revenue.
Employer Paid Parking	Employees who use their vehicle for City business at least three times per week are eligible for employer paid parking under the <i>Employee Parking Policy (Downtown)</i> . The <i>Employer Paid Parking Procedure for Confirming Continued Eligibility</i> contains a trip analysis to evaluate whether employees remain eligible to receive employer paid parking. Cost savings may be realized if the parking is no longer provided to employees who do not validate their continued eligibility. An analysis will be performed to identify ineligible employees and the related cost savings.
Global Positioning System Analysis	Various City vehicles are equipped with Global Positioning System (GPS) technology. Management may use recorded GPS travel information to assess employee productivity. This project will entail comparing GPS records to documented work assignments in order to identify areas where productivity and efficiencies may be gained.

2. ADDED PROJECTS

Audit Project	Project Description
Water – Water Main Emergency Repairs	Water main excavation and repair processes may be performed by both City and contracted work crews. According to the Ontario Municipal Benchmarking Initiative (OMBI) statistics and as quoted in the KPMG Service Delivery Review Report, "Hamilton experiences a higher rate of main breaks than most comparator municipalities". Per statistics provided by OMBI, the number of water main breaks continues to increase from 12.8 per 100 kilometres in 2008 to 17.1 per 100 kilometres in 2011. This audit will evaluate potential cost savings associated with alternatives available for water main emergency repairs.
City Clerks – Agenda Process	The City Clerk compiles, prints and distributes agendas and supporting documents for each Committee and Sub-Committee meeting to Council members and select department management. This audit will examine the processes involved in the preparation and distribution of agendas, benchmark with other municipalities and evaluate cost saving opportunities through efficiencies and alternative methods of providing the service.
Risk Management – Claims Adjusters	Claims adjusters investigate third party insurance claims to determine the extent of the City's liability. Internal claims representatives and external service providers carry out this function. This audit will evaluate potential cost savings associated with alternatives available for adjusting insurance claims.

APPENDIX "B"
CITY OF HAMILTON
PROPOSED PROJECTS FOR SUBSEQUENT YEARS

Based on the assessment of potential projects, the 2013 Performance Audit Work Plan was developed. There are several subject areas which should be addressed but cannot be accommodated in the 2013 work plan due to:

- Limitations in available staff hours; and
- The new performance audit methodologies that will require the involvement of both performance auditors together on the more comprehensive audits.

The projects listed below will be re-evaluated annually to ensure continued relevance and priority and will be considered in subsequent years. Should 2013 scheduling or resources allow, the projects noted would be considered for possible completion in the current year.

- Transit – Rationalization of Low Performing Routes
- Road Resurfacing – Pavement Maintenance, Preservation and Rehabilitation Options
- Property Taxes – Penalties and Collection Efforts
- Fleet – Parts Management
- Fleet – City Fuelling Stations
- Parking – Alternative Methods of Enforcement
- Information Technology – Internet Usage
- Corporate (Various) – Time Keeping Methodologies
- Recreation – Program Costing and Recovery
- POA – Collections of Outstanding Fines
- Public Health Hoteling Initiative – Effects on Effectiveness and Efficiency