

**CITY OF HAMILTON
INTERNAL AUDIT REPORT 2013-18
CORPORATE SERVICES
INVESTMENTS**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
1.	<p><u>Investment Portfolio-Signing Authority</u></p> <p>The current "Certificate of Authorized Signatories" is dated 2012. There have been several personnel changes in the Corporate Services Department. One individual that is listed as an authorized signatory left the organization over a year ago.</p> <p>All permissions granted on this listing require only one of any of the listed individuals to sign in order to direct the Custodian to take action on behalf of the City. This includes the ability to grant or remove individuals from the "Certificate of Authorized Signatories" and to complete investment trades.</p> <p>While many of the current permissions may be appropriate, the organization exposes itself to unnecessary risk by not assessing and updating the listing of authorized signatories.</p>	<p>That management review the listing of authorized signatories regularly and particularly when there has been a personnel change that involves an authorized individual. Appropriate adjustments should be made to the listing.</p> <p>That management evaluate the risks associated with each permission and modify the signing authority requirements (including number of individuals that are required to sign). The revisions should be based on the level of risk associated with each permission.</p> <p>That the ability to add or remove authorized signatories require at least two individuals to sign.</p>	<p>Agreed. The signatories list will be reviewed and adjusted as to required signatures by December 31, 2014.</p> <p>Agreed. A review to allocate permissions based on business risk, risk parameters and individual parameters required to fulfill the function will be completed by December 31, 2014.</p> <p>Agreed. Effective in March 2014, the two authorizing signatures required to add or remove signatories are the General Manager of Finance and Corporate Services (and City Treasurer) and the Chief Investments Officer.</p>

CORPORATE SERVICES - INVESTMENTS
FEBRUARY 2014

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
2.	<p><u>Procurement of Investment Custodial Services</u></p> <p>Over 12 years have passed since the agreement in effect with the Investment Custodian was entered into.</p> <p>This service has not been assessed through the City’s procurement process since that time. Even though the Procurement Policy provides for exemptions from the prescribed procurement processes, it is not clear whether the safekeeping of assets and property (as per the Custodial agreement) would qualify for an exemption.</p> <p>Reporting to Council on the benefits of the current agreement and the rationale for keeping the agreement in force for such an indefinite term would provide disclosure for transparency and accountability purposes.</p>	<p>That management define a frequency for periodic assessments for custodial services and conduct them at this specified interval.</p> <p>That the Investments Section consult with the Procurement Section to clarify exemptions and the Investments Section’s responsibilities in ensuring compliance with the City’s Procurement By-law.</p> <p>That the Investments Section provide Council with an Information Report that outlines the current agreement, benefits of the agreement and information gathered regarding other similar service providers.</p>	<p>Disagreed. Formal reviews with our custodian are completed annually and services are rated very highly. Informal assessments have taken place over the past five years and other custodial service providers have not been competitively priced.</p> <p>Agreed. Procurement staff have advised that this item falls under Procurement Policy #5 Section 4.5 (5) due to the sensitive nature and risk of financial loss when dealing with an incumbent vendor. Council direction is required as to the use of Direct Negotiation or another method. A report will be completed by December of 2014 to the appropriate committee.</p> <p>Agreed. As per above.</p>

CORPORATE SERVICES - INVESTMENTS
FEBRUARY 2014

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
3.	<p><u>Treasurer’s Investment Report</u></p> <p>The 2012 Treasurer’s Investment Report was not submitted to Council by the required deadline (May 31, 2013). The report was submitted in July 2013.</p> <p>The 2012 report did not meet the content requirements set out in the City’s Statement of Investment Policies and Procedures document. The description of the change in the proportion of holdings in the City’s own securities since the previous year’s report was not disclosed. The report did not contain specified information relating to transactions of its own securities.</p>	<p>That the 2013 Treasurer’s Investment Report (and future years) be submitted to Council by the required deadline (May 31 following the year being reported on).</p> <p>That the 2013 Treasurer’s Investment Report include all required content relating to disclosure of holdings in the City’s own securities.</p>	<p>Agreed. The annual Treasurer’s Investment Report has been submitted Committee and Council by the deadline for seven (7) of nine (9) years but the deadline was not met two (2) of the nine (9) years including 2012. The 2013 Treasurer’s Investment Report will be completed by May 31, 2014.</p> <p>Agreed. The 2013 Treasurer’s Investment Report will include all required content relating to disclosure of holdings in the City’s own securities.</p>