



CITY OF HAMILTON
City Manager's Office
Audit Services

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	May 12, 2014
SUBJECT/REPORT NO:	Assessment and Funding for Value for Money Audit Program (AUD14012) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Ann Pekaruk 905-546-2424 x4469
SUBMITTED BY:	Ann Pekaruk Director, Audit Services City Manager's Office
SIGNATURE:	

RECOMMENDATION

- a) That Report AUD14012 regarding the initial assessment of the Value for Money Audit Program be approved; and
- b) That the estimated costs of \$436,355 for the completion of the balance of the three year pilot project for the Value for Money Audit Program to March 2016 be approved for funding from the tax stabilization reserve.

EXECUTIVE SUMMARY

Council approved a Value for Money Audit Program with annual reporting of savings and/or increased revenues resulting from the carrying out of the work plan. Three of the seven projects completed from April to November, 2013, identified gross potential savings/revenues amounting to \$377,815 with much of this amount capable of repeating annually. Funding for the program (\$400,500) had been provided through the tax stabilization reserve and expenses of \$195,514 have been incurred to the end of 2013.

Estimates of the costs to carry out the three year pilot to the end (March 2016) have been made and \$436,355 are requested for approval from the tax stabilization reserve (as per CM11006, approved as item 8.1 (a), part (c) of March 21, 2012 General Issues Committee).

Alternatives for Consideration – See Page 5

FINANCIAL – STAFFING – LEGAL IMPLICATIONS (for recommendation(s) only)

Financial: One of the recommendations seeks Council's approval to fund the estimated future costs of \$436,555 for the Value for Money Audit Program to March 2016 (the end date of the three year pilot) from the tax stabilization reserve.

Staffing: None

Legal: None

HISTORICAL BACKGROUND (Chronology of events)

With the approval of the Value for Money Audit Program, the March 21, 2012 General Issues Committee requested that staff report to Audit, Finance and Administration Committee annually, providing a summary of identified savings and/or increased revenues resulting from value for money work plan project recommendations made in the year.

On March 18, 2013, the newly Council approved Value for Money Audit Program pilot commenced.

Seven audit projects with a potential to produce cost savings or revenue generation were approved by Council for the first year of the pilot. The initial period's costs (\$195,514) were funded from the tax stabilization reserve.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

None.

RELEVANT CONSULTATION

Audit Services consulted with Finance and Administration staff in Corporate Services in regards to funding of programs through City reserves.

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**ANALYSIS AND RATIONALE FOR RECOMMENDATION
(Include Performance Measurement/Benchmarking Data if applicable)**

Results

Of the seven approved projects in the work plan, four have been completed as noted below.

PROJECT	* IDENTIFIED GROSS POTENTIAL SAVINGS/REVENUES	OTHER RESULTS TO IMPROVE EFFICIENCY & EFFECTIVENESS
Employer Paid Parking	\$183,240	<ul style="list-style-type: none"> • Management reassessment of employee eligibility and policy criteria; and • Refinements in PeopleSoft HRMS to provide more accurate and pertinent information for continued reassessment of employee eligibility
Cheque Payments to Vendors	\$23,685	<ul style="list-style-type: none"> • Implementation of electronic fund transfers (EFTs) may result in more timely payments to City suppliers (1-2 days after transfer); • Better ability to manage cash flow; • Reduced risk of cheque fraud; and • Opportunities to streamline City's payment processes
Unlicensed Businesses	\$129,850 annually \$41,040 one time ? inspection fees, as warranted	<ul style="list-style-type: none"> • Protect health and safety of those that use a particular service; • Eliminate unfair advantage for those businesses who choose to operate without a license; • A common database for sharing of information between Licensing, Public Health, Fire, etc., where reasonable and applicable; and • Full cost recovery for all business licenses
GPS and Work Assignment Management	Work Completed -Report to be finalized shortly	

*The dollars noted above are at gross and any costs/adjustments that might be incurred/made in carrying out the recommendations have not been deducted.

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The City's capacity and willingness to respond to recommendations arising from these audits and make changes and improvements to its practices is where the real benefit to taxpayers will come but it is difficult to put a value on this.

The two performance auditors that are the only staff in the Value for Money Audit Program were reassigned full time to complete a project regarding DARTS per the direction of Council. As a result of this reassignment (effective November 2013), no resources were available to complete the balance of the 2013-14 work plan and there are no further results to report. It is the intention of the staff to complete the three outstanding projects when the DARTS assignment is finalized this spring. Results of all value for money audits and reviews will be reported to A,F&A Committee as the projects are completed.

Funding

With the approval of the Value for Money Audit Program, in 2012, Council approved funding totalling \$400,500 from the tax stabilization reserve to carry the pilot to the end of 2013. Since the program did not begin until April, 2013 due to difficulties in hiring appropriate staff, only \$195,514 was spent, leaving a balance of \$204,986 as approved for the use from the reserve. Estimates of costs to carry out the pilot through to completion of its three year term (March, 2016) amount to \$641,341 (2014 - \$278,650; 2015 - \$287,555; and Jan-Mar 2016 - \$75,136). Thus, netting the available approved reserve balance against this amount results in the request of \$436,355 from the tax stabilization reserve to cover the full three year term of the pilot. In addition, bringing the approved funding period in line with the "operating" period of the pilot will provide some stability and surety to the resources of Audit Services.

Approved Funding (AUD12019)			\$ 400,500
Use of Funds:			
	2012	\$ 4,910	
	2013	190,604	<u>(195,514)</u>
Balance Approved			\$ 204,986
Required to Complete Three Year Pilot (estimated)			
	2014 (Jan-Dec)	\$ 278,650	
	2015 (Jan-Dec)	287,555	
	2016 (Jan-Mar)	75,136	<u>(641,341)</u>
Balance of Funding Required			<u>\$ 436,355</u>

ALTERNATIVES FOR CONSIDERATION

(Include Financial, Staffing, Legal and Policy Implications and Pros and Cons for each alternative)

Committee and Council can decide not to support the Value for Money Audit Program any longer. No funding past the cancellation date would be required and the two temporary Performance Auditor positions would be eliminated.

Committee and Council can decide to fund the balance of the pilot program from the operating levy.

Neither of these alternatives is recommended as the pilot has not advanced enough to be able to fairly assess the benefits of the Value for Money Audit Program. The pushed back start date due to the difficulty in hiring qualified auditors and the assignment of the DARTS project which used up all the resources of the section resulted in the annual work plan not being completed. The outcomes of the three year pilot would provide a more adequate basis for evaluating the program and any future direction.

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

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.

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 AND SCHEDULES ATTACHED

None.

ap:jg