



CITY OF HAMILTON
CITY MANAGER'S OFFICE
Audit Services Division

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	March 9, 2015
SUBJECT/REPORT NO:	Follow Up of Audit Report 2013-04 - Hamilton Water - Inventory Controls (AUD15011) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Ann Pekaruk 905-546-2424 x4469 Brigitte Minard 905-546-2424 x2088
SUBMITTED BY:	Ann Pekaruk Director, Audit Services City Manager's Office
SIGNATURE:	

RECOMMENDATION

That Report AUD15011, respecting the follow up of Audit Report 2013-04, Hamilton Water – Inventory Controls, be received.

EXECUTIVE SUMMARY

Audit Report 2013-04 was originally issued in September, 2013 and management action plans with implementation timelines were included in the Report. In October, 2014, Internal Audit conducted a follow up exercise to determine if appropriate and timely actions had been taken. There were 28 overall recommendations made in the original report, many applicable to more than one Section of Hamilton Water inventory. Implementations are in varying states of completion. Details of implementation specific to each recommendation are included in Appendix "A" to Report AUD15011.

Alternatives for Consideration –Not Applicable

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

Financial: None.
Staffing: None.
Legal: None.

HISTORICAL BACKGROUND (Chronology of events)

Audit Report 2013-04, Hamilton Water – Inventory Controls was originally issued in September, 2013. The report provided 28 overall recommendations for improving controls, tightening security and strengthening oversight and accountability.

It is normal practice for Internal Audit to conduct follow up reviews within 12-18 months following the issuance of the original report in order to determine whether action plans committed to by department management have been implemented.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

City of Hamilton Procurement Policy By-law: 13-317

Workplace Hazardous Materials Information System (WHMIS) – Lab chemicals

RELEVANT CONSULTATION

The results of the follow up were provided to management responsible for the inventory on hand in the Hamilton Water Division of the Public Works Department.

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

The report attached as Appendix “A” to Report AUD15011 contains the first three columns as originally reported in Report 2013-04 along with an added fourth column indicating Internal Audit’s comments as a result of the follow up work.

There are four sections within Hamilton Water with inventory - Customer Service and Community Outreach (CSCO), Compliance and Regulations (Lab), Plant Operations (Plant) and Water Distribution and Wastewater Collection (WD&WWC).

There were 28 overall recommendations. Some recommendations related to the entire Hamilton Water Division while some related to specific Sections. Totals below will not add to 28 due to the fact that some recommendations were applicable to multiple Sections and may be counted more than once. The following is a detailed breakdown of the current status of the recommendations:

- General/All Section Recommendations: One recommendation was “Completed” and five were “Not Completed” (Policies and Procedures Standardization, Inventory Distribution, Inventory Count Standard Practices, Combined Facilities and Inventory Valuation Practices).

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- CSCO Section: Five recommendations were “Completed”, one was “Initiated” (Physical Security), four were “In Progress” (Tracking Orders, Signing Authority, Recording Inventory Received, and Purchasing Quotes) and two were “Not Completed” (Policies and Procedures and Inventory Distribution).
- Plant Section: Five recommendations were “Completed”, five were “Initiated” (Policies and Procedures, Inventory Distribution, Costing Errors, Obsolete Inventory and Incomplete Purchase Orders), one was “In Progress” (Packing Slips) and one was “Not Completed” (Physical Security).
- WD&WWC Section: No recommendations have been “Completed”. Two recommendations were “In Progress (Signing Authority and Purchasing Quotes) and 16 were “Not Completed” (among them Policies and Procedures, Recording Inventory Received, Inventory Tracking System Implementation, System Access and Obsolete Inventory).
- Lab Section: One recommendation was “In Progress” (Physical Security) and one was “Not Completed” (Inventory Tracking System Implementation).

Appendix “A” to Report AUD15011 should be examined for details of implementation by recommendation and by Section.

Audit Services conducted this follow up assignment in conformity with the *International Standards for the Professional Practice of Internal Auditing*. Audit Services believes that the work performed provides a reasonable basis for the follow up comments and conclusions.

ALTERNATIVES FOR CONSIDERATION

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

None.

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

Appendix "A" to Report AUD15011

ap:bm