



CITY OF HAMILTON
CITY MANAGER'S OFFICE
Audit Services Division

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	March 9, 2015-16
SUBJECT/REPORT NO:	2015-16 Performance Audit Work Plan (AUD15010) (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

That Appendix "A" attached to Report AUD15010, respecting the 2015-16 Performance Audit Work Plan, be approved.

EXECUTIVE SUMMARY

On March 21, 2012 the General Issues Committee received and approved Report AUD11028 respecting the implementation of the hybrid Auditor General model and a value for money audit program. Two performance auditors were subsequently hired and the newly Council-approved Value for Money Audit Program three-year pilot commenced on March 18, 2013.

For the first year of the pilot, the 2013 Performance Audit Work Plan (AUD13022) contained seven audit projects with a potential to produce cost savings or revenue generation. This Work Plan was presented and approved by the Audit, Finance and Administration Committee on July 10, 2013. Four of these audit projects were completed when the two performance auditors were reassigned full time to complete a project regarding DARTS per the direction of Council. As a result of this reassignment (effective November 2013 – September 2014), no resources were available to complete the remaining three audit projects from the 2013 work plan.

This report provides the Audit, Finance and Administration Committee with the 2015-16 Performance Audit Work Plan which contains a combination of audits in progress or carried forward from 2013 and new audits to carry this pilot program to March 31, 2016.

New audits included in the 2015-16 Work Plan were selected 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. Potential projects were identified from benchmarking with other municipal auditor general offices, the list of “Opportunities for Services Improvements” from the KPMG Service Delivery Review and review of previous City of Hamilton internal audits and directions of Council. Results of inquiries and discussions with management and internal audit staff were also considered. Various risk factors and related criteria were considered to prioritize the various projects.

The proposed Work Plan is attached as Appendix “A” to this Report AUD15010.

Appendix “B” of Report AUD15010 provides a list of proposed projects for carry forward due to limitations in staff hours in 2015-16.

The Audit, Finance and Administration Committee approves the proposed Performance Audit Work Plan as part of its mandate.

Alternatives for Consideration – See Page 4.

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

Financial: The recommendation in this report has no financial impact beyond the 2015 and 2016 amounts approved by Council for funding from the tax stabilization reserve (\$362,691) in order to carry the pilot to completion in March, 2016.

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)

According to the current Council approved Audit Charter, the Director of Audit Services is required to prepare a Work Plan for Council approval. The Plan describes audit projects and related work proposed for the year. It also provides City Council with an overview of how value for money audit program resources in the Audit Services Division will be used to March 31, 2016.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

None.

RELEVANT CONSULTATION

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

ANALYSIS AND RATIONAL 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 fulfills 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 audit 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. 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 directions of Council and inquiries and consultation with 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 and other considerations such as:

- Impact on the economy, efficiency or effectiveness of the service being provided;
- Potential for cost savings or increased revenue;
- Other City of Hamilton initiatives currently underway involving the topic;
- Internal audits performed on the subject area in the past two to three years; and
- KPMG’s and the City’s intent on expanding the Service Delivery Review.

The results of the overall assessment are provided attached as Appendix “A” for projects proposed to be completed by March 31, 2016 and Appendix “B” for projects proposed for carry forward should Council decide to continue the program permanently. The Performance Audit work group believes that the proposed work plan provides several opportunities for improvement in the economy, efficiency and effectiveness of City of Hamilton operations.

**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. The current Audit Services Charter requires a majority of at least two-thirds the total members of Council present in order to make any changes to the proposed work plan. Changes which require the substitution for 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 – 2015-16 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 AND SCHEDULES ATTACHED

Appendix “A” to Report AUD15010

Appendix “B” to Report AUD15010