



**CITY OF HAMILTON**  
*City Manager's Office*  
**Audit Services**

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	March 7, 2016
<b>SUBJECT/REPORT NO:</b>	Follow Up of Performance Audit Report 2013-14 – Unlicensed Businesses (AUD16010) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Charles Brown 905-546-2424 x4469
<b>SUBMITTED BY:</b>	Charles Brown Director, Audit Services City Manager's Office
<b>SIGNATURE:</b>	

**RECOMMENDATION**

That Report AUD16010, respecting the follow up of Performance Audit Report 2013-14, Unlicensed Businesses, be received.

**EXECUTIVE SUMMARY**

Audit Report 2013-14 was originally issued in March, 2014 and management action plans were included in the Report. In January, 2016, Audit Services conducted a follow up exercise to determine if appropriate and timely actions had been taken. Of the three recommendations management agreed to in the original Report, one recommendation has been completed, one had an alternate implemented and one has been initiated. Details of implementation specific to each recommendation are included in Appendix "A" to Report AUD16010.

***Alternatives for Consideration – Not Applicable***

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

Financial: Additional licensing revenues of \$3,300 were collected from 18 businesses and an additional \$8,900 of potential revenue from 38 businesses has been identified as a result of Audit Services' recommendations and activities carried out by management. As summarized in the following chart, \$2,600 of the \$3,300 licensing revenue collected will be realized on an annual basis should these businesses continue to operate. Estimated additional licensing revenue of at least \$6,700 may be realized annually from management's initiatives investigating unlicensed businesses.

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<b>Recommendation</b>	<b>Total Revenue</b>	<b>Annual Licensing Fees</b>	<b>One-time New Setup Fee</b>
<b>Realized Revenue</b>			
#1. Unlicensed Businesses Identified by Audit Services	\$3,300	\$2,600	\$700
<b>Pending Revenue</b>			
#1. Unlicensed Businesses Identified by Audit Services	\$1,300	\$1,000	\$300
#2. Monitoring Initiatives Undertaken by Management	\$7,600	\$5,700	\$1,900
<i>Subtotal</i>	<i>\$8,900</i>	<i>\$6,700</i>	<i>\$2,200</i>
<b>Total Additional Revenue</b>	<b>\$12,200</b>	<b>9,300</b>	<b>\$2,900</b>

These revenues are offset by \$5,200 one-time incremental costs incurred by management for an additional staff member to analyze the list of potential unlicensed businesses identified in the original review.

Appendix “A” to Report AUD16010 should be examined for details of revenue generation and costs by recommendation.

Staffing: None.

Legal: None.

### **HISTORICAL BACKGROUND (Chronology of events)**

Performance Audit Report 2013-14 – Unlicensed Businesses was originally issued in March, 2014. The report provided five recommendations identifying potential opportunities to realize additional licensing revenue from businesses that do not possess a valid business license, and improve the efficiency and cost recovery of the licensing program.

The 2016-2018 Audit Services Work Plan will include a project to conduct follow up audits on previously issued Performance Audit reports in order to determine whether action plans committed to by department management have been implemented, and the associated savings or additional revenues realized.

### **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

- Municipal Act, 2001 – Part IV
- City of Hamilton Licensing By-law #07-170

## **RELEVANT CONSULTATION**

The results of the follow up and an opportunity to comment were provided to management responsible for the administration of the Licensing Division, in the Planning and Economic Development Department.

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

The report attached as Appendix “A” to Report AUD16010 contains Audit Services’ Recommendations and the Management Action Plans as originally reported in Report 2013-14 along with an added column indicating Audit Services’ comments as a result of the follow up work.

There were five recommendations. One recommendation was “Completed”, one was “Alternatives Implemented” and one was “Initiated” (cost recovery analysis). There was no follow up pertaining to two recommendations with which management disagreed in the original Audit Report. Appendix “A” to Report AUD16010 should be examined for details of implementation by recommendation.

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)**

Not applicable.

## **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 AUD16010.

CB:af