



Audit, Finance, and  
Administration Committee  
May 18, 2017

REPORT AUD17013  
**VALUE FOR MONEY  
PILOT PROGRAM**

CITY MANAGER'S OFFICE

**AUDIT SERVICES DIVISION**

CHARLES BROWN - DIRECTOR, AUDIT SERVICES

# BACKGROUND



- The VFM pilot was set up to explore the benefits of value for money auditing after a motion at the March 21, 2012 GIC meeting
- The Director of Audit Services was directed to conduct VFM audits as approved by Council in the annual work plan.
- Audit Services was provided with augmented capacity to carry out the VFM work through 2 additional FTEs temporarily funded from reserves
- This report (AUD17013) fulfils the requirement to report back at the end of the VFM pilot

# PROJECTS AND BENEFITS



- Twelve VFM projects (Appendix A)
  - Employer Paid Parking
  - Cheque Payments to Vendors (EFT)
  - Unlicensed Businesses
  - GPS/AVL Systems Performance
  - DARTS
  - Claims Adjusters
  - Protective Plumbing Program
  - City Performance Measures
  - Ontario Works Employment Services
  - Use of External Consultants
  - Reserves
- Identified gross potential savings \$1.298M - \$2.048M annually
- Efficiencies and improvements/risk mitigation

# EVALUATION



- VFM auditing fulfils a key role in providing Council with assurance of the effectiveness of operations and state of risk management, control and governance processes
- To be an effective catalyst of improvement and sound risk management Audit services should provide multiple services that align with organizational needs – consulting, risk assessment, education, special investigations in addition to VFM and compliance/control audits
- Allows a risk based, proactive and strategic approach and positions the function to support the organization with the right tool
- Balances the need to understand our current state while anticipating future risks and opportunities

# AUDIT ROTATION



- According to a global Ernst & Young 2013 survey many audit functions fulfill a broader mandate that reaches beyond compliance activities through auditor rotation – work term opportunities for high potential staff to get experience in Audit
- Positions funded by home Departments and/or other funding as could be determined
- A formal training regime would be established by Audit Services for rotational staff and projects scheduled to meet learning and development objectives
- Offers a unique development opportunity for staff to gain experience in new disciplines and exposure to different businesses, functions, and practices
- Leverages audit as a training ground for financial acumen and controllership, skills in project management, internal control, risk management, performance measures, business analytics and facilitation

# REPORT RECOMMENDATIONS TO BE CONSIDERED



## Alternative 1:

- Discontinue the Value for Money (VFM) Pilot Program, incorporate VFM auditing duties into the current permanent Audit Services staff complement and implement an Annual Audit Rotation Program (4 staff auditors and 2 rotational auditors)

## Alternative 2:

- Discontinue the Value for Money (VFM) Pilot Program and incorporate VFM auditing duties into the current permanent Audit Services staff complement (4 staff auditors)

## Alternative 3:

- The two temporary FTE Performance Auditor positions become a permanent part of Audit Services Division staffing complement when the VFM Pilot Program ends on June 30, 2017 (6 staff auditors)

## Alternative 4:

- Extend the VFM Pilot Program by 21 months with funding to continue from the Tax Stabilization Reserve (6 staff auditors)

## RECOMMENDED OPTION



- That the two temporary full time equivalent (FTE) Performance Auditor positions be eliminated when the Value for Money Pilot Program ends on June 30, 2017;
- That the Director of Audit Services incorporate value for money (VFM) auditing into the duties of the current permanent Auditors and, in consultation with Human Resources, reorganize to deliver the Program within its existing FTE complement;
- That the Audit Services Division adopt an offering of services and activities that maintains capabilities in value for money auditing, as well as consulting, risk assessment, and investigation, to fully support the City's risk management, controllership and governance processes and continuous improvement initiatives;
- That the Director of Audit Services explore the development of an Audit Rotation Program aimed at providing opportunities for 2 city staff to serve in ongoing rotational work terms in Audit Services under the sponsorship of departments