



Hamilton

7.1

Management Action Plans for Use of External Consultant's Audit Report Recommendations

Wednesday, August 16, 2017

SUMMARY & BACKGROUND

- The report includes responses to all 12 recommendations
- Recognizes the audit spanned a number of years, current status was not necessarily reflected in the findings. Management has provided an update on current state
- A number of the recommendations are underway or complete
- The Audit findings will be used to enhance the existing initiatives
- This presentation will provide a high level summary and additional context

DEFINITION

The definition of consulting is contained in the Council approved Procurement By-law and is regularly reviewed.

The definition is:

“Consulting and Professional Services” means services rendered by members of a recognized profession or possessing a special skill. Such services are generally acquired to obtain information, advice, training or direct assistance.

VALUE FOR MONEY

Per the original report outlining the Value for Money Auditing Pilot

“Value for Money (VFM) auditing (performance, efficiency and control) examines activities for efficiency and effectiveness.”

Criteria to assess the Value for Money of government spending

Economy

minimizing the cost of resources used or required (inputs) –
spending less

Efficiency

the relationship between the output from goods or services and the resources to produce them – **spending well**

Effectiveness

the relationship between the intended and actual results of public spending (outcomes) –
spending wisely

BIOGAS/DIGESTER PROJECT

Audit identified \$30.9 million of costs associate with the Biogas/Digester project all coded as consultant expenses, which could have been coded differently.

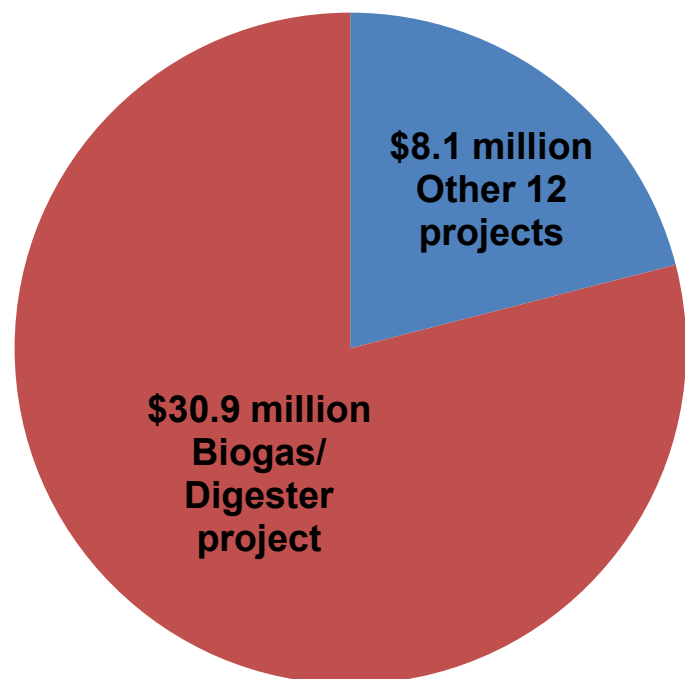
Public Works used a new procurement model in order to leverage Infrastructure Stimulus Funding from upper level governments. This helped to complete the project while meeting the City's objectives.

- Captured the components of Economy, Efficiency and Effectiveness
- Transparent throughout entire process
- Leveraged other funds with the government matching of \$20 million
- On time and on budget
- Met all of the requirements from higher levels of government

CAPITAL ENGAGEMENT SAMPLE

Sample includes 13 capital engagements

Coded as \$39 million in consultant fees



Biogas / Digester project

Coded as \$30.9 million in consultant fees (79%)

Other 12 projects

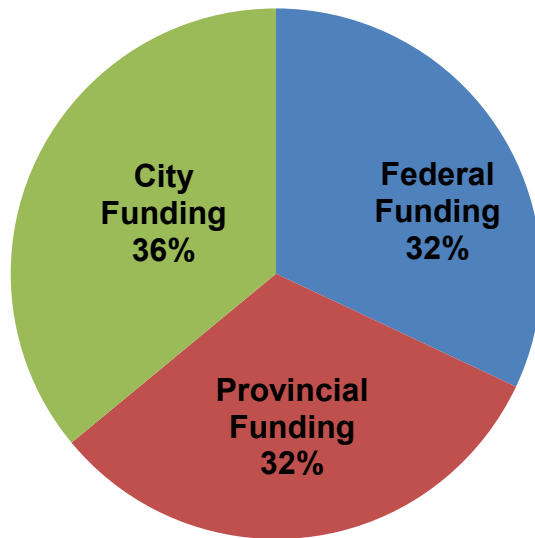
Coded as \$8.1 million in consultant fees (21%)

BIOGAS/DIGESTER PROJECT

The Woodward Avenue WWTP Biogas Enhancement and Digester Upgrade Engineer, Procure, Construct, Management (EPCM) project was a new model delivered end-to-end by a consultant, and coded as such for \$30.9 million.

The project was completed on an expedited schedule in order to leverage Infrastructure Stimulus Funding from the government, a total of \$20 million was obtained.

OUTCOMES



- Facilities constructed include new primary and secondary sludge thickening facility, refurbishment of primary digester and upgrades to the biogas management system and purification system to produce biomethane.
- The biogas produced will be upgraded to natural gas standard and injected into the grid.
- Design and programming associated with the plant SCADA required for the project in accordance with City of Hamilton SCADA standards.
- As of September 2012, performance testing was complete and over 120,000 man hours worked without a lost time injury.

STRONGER FINANCIAL CONTROLS

STANDARD PROCESSES

- Business Planning
- Business case with value for money, risk and outcomes
- Vendor management
- Project management
- Standard project and vendor management practices
- Greater Corporate oversight

CURRENT STATE HIGHLIGHTS

Recognizing a large portion of the audit sample focused on projects in Hamilton Water. In 2014 a Project Management Office was launched in Hamilton Water.

- Standardizes project management processes and practices.
- Is designed to ensure consistency for project management, accounting and compliance with corporate policy.
- Public Works (PW) is looking into expansion across the department

CURRENT STATE HIGHLIGHTS

- Currently implementing Results Based Accountability
- Electronic Vendor management system has been procured, this was a previous manual process
- Establishment of Performance Excellence Office in 2016
 - Launched new Corporate Governance Model
 - Continuous Improvement Program
 - Standardizing corporate project management practices and templates
 - Public and Internal Dashboards are being launched December 2017
- Monitor and report on corporate performance and outcomes

CURRENT STATE HIGHLIGHTS

- Launched Multi-Year Budgeting and Business Planning
- Implementation of Business Cases with value for money, risk and outcomes
- Development of standard dictionary of account codes and review of capital and operating expense definitions
- Human Resources is procuring a talent/skills management system to increase insourcing

RESPONSE TO RECOMMENDATIONS

There were 12 recommendations in the April 2017 Audit Report.

Management's response was the following:



RECOMMENDATIONS

Considered complete and removed from the Audit, Finance and Administration Committee's Outstanding Business List

Amend report to read as follows:

6. Performance Audit Report 2016-03 – Use of External Consultants
(AUD17008) (City Wide) (Item 8.1)

(c) the implementation of the following recommendations will improve the accuracy of the City's financials and assist management in making informed business decisions:

(iii) that Budgets assigns consulting budgets to DeptID's and the usage of these budgets occurs within the approved levels of delegated authority (a standard business best practice).

QUESTIONS ?