



**CITY OF HAMILTON**  
**CITY MANAGER'S OFFICE**  
**Audit Services Division**

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	October 23, 2017
<b>SUBJECT/REPORT NO:</b>	Performance Audit Report 2017-04 – Public Works, Office Accommodations (AUD17029) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Charles Brown CPA, CA, CPA (Illinois) 905-546-2424 x4469
<b>SUBMITTED BY:</b>	Charles Brown CPA, CA, CPA (Illinois) Director, Audit Services City Manager's Office
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That the Management Action Plans as detailed in Appendix "A" of Report AUD17029 be approved; and
- (b) That the General Manager of Public Works be directed to instruct the appropriate staff to have the Management Action Plans (attached as Appendix "A" to Report AUD17029) implemented.

**EXECUTIVE SUMMARY**

In accordance with the 2016-2018 Audit Services Work Plan approved by Council which included a value for money audit of Facilities Management, Audit Services focused its work on the provision of office accommodations, particularly within the downtown area.

Roles and responsibilities related to space development were reviewed to identify how corporate oversight on office accommodation requirements is provided and could be improved. Planning and budgeting for office accommodation was also addressed to assess effectiveness in providing lead times required for modifying office accommodation to meet needs. Current practices and processes for delivering, monitoring, managing, and reporting space utilization and the related costs were also investigated.

The results of the audit, including observations, recommendations, and management responses are presented in a formal Audit Report (2017-04). Audit Report 2017-04 is attached as Appendix "A" to Report AUD17029.

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*OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.*

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## **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: Development of benchmarking and increased corporate oversight on accommodation upgrades will better support decision making related to spending on office accommodations. Increased focus on office accommodation requirements in business planning and budgeting will facilitate a more strategic approach to the provision of office space and result in optimized space acquisition. After considering redevelopment costs, more efficient use of office space may result in cost savings, which cannot be determined at this time. Implementing processes and tools to better support performance measurement may require financial investment which also cannot be determined at this time.

Staffing: None.

Legal: None.

## **HISTORICAL BACKGROUND**

This audit was scheduled as part of the 2016 -2018 Audit Services Work-Plan approved by Council. The audit fieldwork was completed between May and August, 2017. The results of this audit are attached as Appendix “A” of Report AUD17029.

The Audit, Finance and Administration Committee receives and approves performance audit reports as part of its responsibilities for oversight of governance.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

Space Guidelines (Appendix C)

## **RELEVANT CONSULTATION**

Appendix “A” to Report AUD17029 includes action plans which reflect the responses of management responsible for the delivery of accommodations projects, and oversight for the provision of office space, within the Energy, Fleet and Facilities Management Division of the Public Works Department.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

Office accommodation is a significant cost for the City of Hamilton, contributing to the \$55 million annual budget for rent, utilities, and building maintenance. In 2016 the City paid rent of more than \$3.3 million for space in three downtown buildings that accommodated 641 people in more than 140 square feet of space. An additional 1,021 staff located in the downtown area were accommodated within four owned buildings in almost 208 thousand square feet of space.

Office accommodation is currently delivered within a decentralized model where roles and responsibilities are divided between the City's operational areas, Facilities, and the Portfolio Management Committee. Priorities and spending are largely determined by the operational areas. Facilities provides expertise on the delivery of office accommodation projects. The Portfolio Management Committee provides oversight on larger corporate office accommodations projects.

A formal Performance Audit Report (2017-04) containing background information, audit objectives, scope, methodology, findings and recommendations was issued. Eight recommendations were included in the Audit Report (attached as Appendix "A" to Report AUD17029). The seven recommendations related to Office Accommodations are as follows:

1. That Facilities implement processes and tools to support reliable and timely generation of sqft/person and costs/sqft at a level which will support ongoing decision making related to space utilization and savings opportunities.
2. That Facilities support corporate monitoring on accommodation projects, by implementing systems and processes to collect data for;
  - Evaluating the alignment of accommodation projects with accommodation strategy, and
  - Benchmarking purposes.
3. That the Portfolio Management Committee undertakes periodic monitoring of the accommodation project activity collected by Accommodations.
4. That the Portfolio Management Committee in conjunction with Business Planning and Budgeting incorporate space requirement forecasts in a manner that will support consolidation of identified needs, so as to better support midterm planning and current budgeting for space requirements.

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5. That Facilities Management periodically co-ordinate and report to Portfolio Management Committee on mid-term planning around staff accommodation.
6. Facilities should continue to bolster existing Guidelines and include information such as principles on space design and make Guidelines more widely available to the Corporation to build greater structure and understanding around the benefits of standardized space development.
7. That for future Corporate projects, prior to recommending project approval and commencement of construction, the Portfolio Management Committee address the risk of suboptimal space utilization, and to this end require that business cases include space utilization benchmarks as well as any rationale for substantial variance from approved guidelines.

In addition to this work, while conducting the Accommodations audit, concerns related to budgeting and reporting of energy costs were raised by staff and subsequently investigated. The resulting recommendation is as follows;

8. That the Public Works Office of Energy Initiatives work with Corporate Services to incorporate within the Annual Energy Report, linkages to approved budgets and financial results to improve the understandability and transparency of energy reporting.

Audit Services will also consider a future value for money audit specially focused on this area.

Management agreed with all the recommendations. Specific action plans can be found in the audit report attached as Appendix “A” to report AUD17029.

Audit Services conducted this audit in conformity with the *International Standards for the Professional Practice of Internal Auditing*. These standards require that Audit Services plan and perform the review to obtain sufficient, appropriate evidence to support the findings and conclusions based on the review objectives. Audit Services believes that the work performed provides a reasonable basis for the review comments and conclusions.

**ALTERNATIVES FOR CONSIDERATION**

Not applicable.

**ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

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**APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” to Report AUD17029

Appendix “B” to Report AUD17029

Appendix “C” to Report AUD17029