




**CITY OF HAMILTON**  
**OFFICE OF THE CITY AUDITOR**

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	December 9, 2021
<b>SUBJECT/REPORT NO:</b>	Hamilton Future Fund Audit (AUD21013) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Jane Schope, CPA, CMA (905) 546-2424 Ext. 3830  Brigitte Minard, CPA, CA, CIA, CGAP (905) 546-2424 Ext. 3107
<b>SUBMITTED BY:</b>	Charles Brown, CPA, CA City Auditor Office of the City Auditor
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That Appendices “A” and “B” to Report AUD21013, respecting the Hamilton Future Fund Audit be received;
- (b) That the Management Response, as detailed in Appendix “B” of Report AUD21013 be approved; and,
- (c) That the General Manager of Corporate Services be directed to formulate comprehensive management action plans and submit these to the Office of the City Auditor by June 2022.

**EXECUTIVE SUMMARY**

The Hamilton Future Fund (HFF) was established in 2002 when Hamilton Hydro was sold for \$137M. Two reserve funds were created:

- \$100M invested to provide income which will be used to fund various projects and initiatives (Fund A); and

- \$37M to provide funding for various City and community organizations and initiatives (Fund B).

The mission of the HFF is to create a permanent legacy for current and future generations of Hamiltonians to enjoy economic prosperity and improved quality of life. As a result, the HFF awards loans and grants to fund various capital projects to benefit the citizens of Hamilton. Oversight of the HFF is provided by a Board of Governors comprised of both City Councillors and citizen members.

The overall objective of the audit was to perform an assessment of the effectiveness of the HFF, including:

- Fund governance and oversight;
- Adequacy of the processes to manage grants and loans;
- Sufficiency and transparency of reporting of the fund financial position, including investments to the Board of Governors and GIC; and
- Adequacy of performance measures including the outcomes achieved from the HFF grants and loans.

Our audit focused on ensuring these components were in place, and on identifying opportunities for improvement. The focus of the audit was on 2018 and 2019 financial information, with historical data and records reviewed as required. A total of 10 recommendations were made.

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

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

Financial: None.

Staffing: Development of job duties for the HFF Fund Administrator need to be assigned.

Legal: There is a need for Legal Services to draft an updated Fund B grant agreement.

## **HISTORICAL BACKGROUND**

The Office of the City Auditor Work Plan 2019 to 2022 (AUD19007) included the completion of a compliance and value for money audit of the Hamilton Future Fund. The results of this audit are attached as Appendices “A” and “B” to Report AUD21013.

Initial work on the audit of the Hamilton Future Fund commenced in 2019; but was delayed due to staffing vacancies and redeployments during the COVID-19 pandemic.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

None.

## **RELEVANT CONSULTATION**

Appendix “B” to Report AUD21013 includes responses from management responsible for overseeing the Hamilton Future Fund within the City’s Corporate Services Department.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

The overall objective of the audit was to perform an assessment of the effectiveness of the HFF, including the governance, oversight and management processes.

The Office of the City Auditor (OCA) interviewed staff, reviewed financial information and other documents, researched best practices for grant programs and reserve funds, and reviewed a sample of grant applications and awards for Fund B.

Appendix “A” to Report AUD21013 contains a formal Audit Report containing the audit observations. The OCA made ten recommendations to strengthen program governance and controls. These recommendations can be found in Appendix “B” to Report AUD21013.

The Office of the City Auditor (OCA) reviewed the HFF’s fund governance and oversight including the processes to manage grants and loans, and the adequacy of performance measures.

The OCA has brought forward ten recommendations to strengthen fund governance, including:

- Development of a strategic plan for the use of funds, which incorporates public consultation;
- Formalization of the roles of City employees to support the HFF, including a fund administrator;
- Improvements in the processes for grant awards; and
- Monitoring of performance measures for projects receiving funding.

Management agreed with all 10 recommendations. Management has committed to providing a comprehensive management action plan to the OCA by June 2022. The OCA will review these responses, and once satisfied that they adequately address the audit recommendations, they will be submitted to the Audit, Finance and Administration Committee for approval and to direct Management to implement these action plans.

## **ALTERNATIVES FOR CONSIDERATION**

Not applicable.

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

### **Community Engagement and Participation**

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community

### **Economic Prosperity and Growth**

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

### **Our People and Performance**

Hamiltonians have a high level of trust and confidence in their City government.

## **APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” to Report AUD21013 – Hamilton Future Fund Audit

Appendix “B” to Report AUD21013 – Recommendations and Management Response