

**CITY OF HAMILTON**

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

<b>TO:</b> Chair and Members Audit, Finance and Administration Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> April 15, 2013	
<b>SUBJECT/REPORT NO:</b> Initial Performance Audit Projects (AUD13015) (City Wide)	
<b>SUBMITTED BY:</b> Ann Pekaruk Director, Audit Services City Manager's Office	<b>PREPARED BY:</b> Ann Pekaruk 905-546-2424 x4469
<b>SIGNATURE:</b>	

**RECOMMENDATION**

That Appendix "A" attached to Report AUD13015, respecting Initial Performance Audit Projects, be approved.

**EXECUTIVE SUMMARY**

On March 21, 2012 the General Issues Committee received Report AUD11028 respecting the implementation of the hybrid Auditor General model and a value-for-money audit program. Two performance auditors have been subsequently hired and commenced their duties on March 18, 2013. While a more comprehensive work plan is still being developed, Audit Services plans to carry out several projects which may produce cost-saving or revenue-generating results in a relatively short period of time and provide momentum for the initialization of the value-for-money audit program. A list of initial performance audit projects is attached as Appendix "A" to the Report AUD13015.

***Alternatives for Consideration – See Page 3.***

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS** (for Recommendation(s) only)

**Financial:** The recommendation in this report has no financial impact beyond the amount provided in the Audit Services Division's 2013 budget request.

**Staffing:** Two performance auditors have been hired on a temporary contract basis to carry out the value-for-money audit program.

**Legal:** None.

**HISTORICAL BACKGROUND** (Chronology of events)

On March 21, 2012, subsection (d) of Report AUD11028 was amended by the General Issues Committee to read as follows:

“(d) That, pending receipt of the appropriate resources, the Director of Audit Services be directed to carry out a three year pilot project conducting value-for-money audits as approved by Council in the annual work plan, such work plan to be submitted for approval firstly to the Audit, Finance and Administration Committee in accordance with the Audit Services Charter.”

**POLICY IMPLICATIONS/LEGISLATED REQUIREMENTS**

None.

**RELEVANT CONSULTATION**

Most of the subjects included in Appendix “A” result from discussions with Audit Services' staff and the results of previous Internal Audit work.

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

Effective March 18, 2013, two performance auditors were hired to conduct value-for-money audits. Performance (or value-for-money) auditing examines a division, program or activity to assess whether resources are managed in an efficient, economic and effective manner. Performance measures are reviewed to determine if goals and objectives of the activities are being achieved and the City is obtaining value for the dollars spent. Due to the broad and lengthy nature of most value-for-money

assignments, time is required to determine which areas to audit and to develop a comprehensive work plan. Audit Services expects to meet with and solicit feedback from interested Councillors, senior management and staff in order to develop the performance audit work plan for 2013 – 2014.

While the comprehensive work plan is being developed, the performance auditors plan to pursue several projects which may produce cost-saving or revenue-generating results in a relatively short period of time. These projects may provide Council with economic savings that are in line with the results-oriented expectations of the performance audit program and add momentum to the implementation of the value-for-money audit program.

#### **ALTERNATIVES FOR CONSIDERATION**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

The Committee may decide to add/delete/replace projects from the list of initial projects to be completed by the performance auditors, taking into consideration that staff are currently developing a more comprehensive, longer term work plan.

#### **ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN:**

##### **Strategic Priority #1**

A Prosperous & Healthy Community

*WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.*

##### **Strategic Objective**

1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

##### **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.

<b>APPENDICES / SCHEDULES</b>
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Appendix "A" to Report AUD13015

**APPENDIX "A"**  
**CITY OF HAMILTON**  
**PROPOSED INITIAL PERFORMANCE AUDIT PROJECTS**

<b>Audit Project</b>	<b>Project Description</b>
Cheques	The City incurs more cost to issue a cheque payment as opposed to an electronic fund transfer (EFT) for low dollar value cheques. Cost savings may be realized if cheque payments were replaced using EFTs. A cheque listing will be extracted from the financial system and analyzed to determine when it is more efficient to issue an EFT payment. Related cost savings will be calculated.
License Revenue	Most businesses in Hamilton require a license to operate legally. Additional revenue may be realized by identifying unlicensed businesses. This project will entail identifying unlicensed businesses and calculating the related license revenue.
Employer Paid Parking	Employees who use their vehicle for City business at least three times per week are eligible for employer paid parking under the <i>Employee Parking Policy (Downtown)</i> . The <i>Employer Paid Parking Procedure for Confirming Continued Eligibility</i> contains a trip analysis to evaluate whether employees remain eligible to receive employer paid parking. Cost savings may be realized if the parking is no longer provided to employees who do not validate their continued eligibility. An analysis will be performed to identify ineligible employees and the related cost savings.
Global Positioning System Analysis	Various City vehicles are equipped with Global Positioning System (GPS) technology. Management may use recorded GPS travel information to assess employee productivity. This project will entail comparing GPS records to documented work assignments in order to identify areas where productivity and efficiencies may be gained.