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TO:	CHAIR AND MEMBERS AUDIT COMMITTEE MEETING ON DECEMBER 15, 2014
FROM:	PwC INTERNAL AUDITORS
SUBJECT:	Proposed Risk Assessment and 2015 Performance-Based Audit Plan

RECOMMENDATION

That on the recommendation of PwC, this report **BE RECEIVED** for information and the Performance-Based Audit Plan for 2015 identified in Appendix A **BE RECOMMENDED** for approval.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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Risk Assessment and 3-Year Performance-Based Audit Plan from PricewaterhouseCoopers – Audit Committee March 31, 2011.

Risk Assessment and 3-Year Performance-Based Audit Plan from PricewaterhouseCoopers – Audit Committee December 5, 2013.

BACKGROUND

This report has been prepared in line with the reporting process defined within the Risk Assessment and 3-Year Performance-Based Audit Plan provided to the Audit Committee on March 31, 2011.

The purpose of this report is to communicate the Proposed Risk Assessment and Performance-Based Audit Plan for the 2015 year.

PwC requests Audit Committee approval of the 2015 Performance-Based Audit Plan developed in collaboration between PwC and City management. Please also refer to the formal presentation document attached in Appendix A.

RECOMMENDED BY:
PwC INTERNAL AUDITORS



*The Corporation of the
City of London*

Proposed Risk Assessment
and 2015 Performance-Based
Audit Plan

December 15, 2014

Agenda

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Team Members



Chirag Shah

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Profile

Chirag is a Partner in the Audit and Assurance Group and is also the London Market Leader. He has over 23 years of audit experience across a broad range of clients and industries. Chirag's experience extends through municipal, public, private as well as not-for-profit enterprises from diverse industries including manufacturing, retail, education, financial services and investment management. He has led a variety of engagements including internal audit reviews, acquisition and divestiture assistance, controls assurance reviews, due diligence exercises, financial modeling and financing assistance

Experience with the City of London

Chirag is the lead engagement partner for the internal audit outsourced services for the City of London. Chirag has led the development of our risk assessment, project development, scoping and execution of internal audit with a focus on value added findings and a collaborative approach with management.



Scott Gilfillan

Senior Manager, PricewaterhouseCoopers LLP

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Profile

Scott is a senior manager with PwC and has over 12 years of experience in accounting, internal and external audit and other assurance services to a broad range of clients including municipal, public utility/local distribution and government business enterprises. Scott's diverse experience with PwC includes short-term secondments in San Francisco and Miami, and a two-year secondment in Wellington, New Zealand.

Experience with the City of London

Scott has been deeply involved in the internal audit services performed for the City since PwC was awarded the work. Scott is primarily responsible for ensuring collaboration and communication between City management, the PwC team, and the audit committee. Scott has also led many of the internal audit and special projects at the City and its board and commissions.

Team Members...continued



David Bunce

Manager, PricewaterhouseCoopers LLP

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Profile

David has over six years of experience with PwC, including significant NPO and public sector experience in municipalities and education.

Experience with the City of London

David has been involved with the City of London since 2012, managing a number of internal audit and special projects with various City service areas and boards and commissions.



Christopher O'Connor

Consulting Leader – Southwest Ontario, PricewaterhouseCoopers LLP

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Profile

Christopher is the leader of PwC's Consulting practice in Southwest Ontario. Christopher is based in our Waterloo office. With more than 18 years of experience, Christopher's extensive knowledge has enabled him to specialize in governance, risk and internal controls assurance and advisory services to both public and private companies with a focus on the public sector (education, municipalities, healthcare and crown corporations) and technology.

Experience with the City of London

Christopher has significant experience with internal audit and the public sector and is relied upon as a resource for the PwC team in performing our internal audit services for the City. Christopher has led internal audit and other consulting projects at the City, primarily relating to IT.

Summary of Internal Audit Projects - 2011

Service Area	Project	Number of Recommendations	Value-for-Money Opportunities Identified (1 year impact) *
2011 Projects:			
Engineering & Environmental Services	• Water & Sewage Revenue	8	\$2,830,000
	• Fleet Asset Management	19	\$340,000
Development & Compliance Services	• Development Approvals	8	
Corporate Services – Finance & IT	• Information Security Governance Assessment & JDE IT General Controls	17	
	• Procurement Bid Process	8	
Corporate Services – Human Resources	• Time-off Provisions	7	
Housing & Social Services	• Housing Division	13	\$250,000
Long-term Care (reporting structure under review)	• Long-term Care Compliance	4	
Total - 2011 Projects		84	\$3,420,000

* These amounts represent the estimated cost savings or additional revenue available to the City which have been identified in relation to internal audit recommendations. These amounts are potential opportunities only, and have not all been realized.

Summary of Internal Audit Projects - 2012

Service Area	Project	Number of Recommendations	Value-for-Money Opportunities Identified (1 year impact) *
2012 Projects:			
Engineering & Environmental Services	• Contract and Tendering Administration	8	\$425,000
Development & Compliance Services	• Building Control	8	\$500,000
Corporate Services – Finance & IT	• Purchasing Cards • Expenditure Approval and Payment • Payroll Administration	6 4 8	
Corporate Services – Human Resources	• Succession Planning	8	
Housing & Social Services	• Financial Management	8	
Parks & Recreation	• Health and Safety	7	\$10,000
Total - 2012 Projects		57	\$935,000

* These amounts represent the estimated cost savings or additional revenue available to the City which have been identified in relation to internal audit recommendations. These amounts are potential opportunities only, and have not all been realized.

Summary of Internal Audit Projects - 2013

Service Area/ Board/Commission	Project	Number of Recommendations	Value-for-Money Opportunities Identified (1 year impact) *
Planning	• Urban Forestry & Planning Application Process	14	\$95,000
Parks & Recreation	• Revenue Strategies	9	\$555,000
Corporate Services – Finance & IT	• Budgeting Process	12	\$220,000
	• Facilities & Property Utilization	16	
	• Property Tax Assessments & Collections	3	\$5,000
	• IT Project Management & Utilization	6	
London & Middlesex Housing Corp.	• Organizational Review	33	
	• Purchased Services Review	5	
Middlesex London Health Unit	• Efficiency & Shared Services Review	8	
London Public Library	• Revenue Base & Fee Structure	7	\$200,000
London Transit Commission	• Payroll & Time-off Provisions	5	
London Convention Centre	• Revenue & Growth Opportunities	7	\$600,000
Total - 2013 Projects		125	\$1,675,000

* These amounts represent the estimated cost savings or additional revenue available to the City which have been identified in relation to internal audit recommendations. These amounts are potential opportunities only, and have not all been realized.

Summary of Internal Audit Projects - 2014

Service Area/ Board/Commission	Project	Number of Recommendations	Value-for-Money Opportunities Identified (1 year impact) *
Housing, Social Services & Dearness Home	• Housing Access Centre process review	7	\$50,000
Engineering and Environmental Services	• Landfill process review • Solid Waste (Garbage) Collection and Recycling Process Review	2 8	\$720,000
Total - 2014 Projects		17	\$770,000

* These amounts represent the estimated cost savings or additional revenue available to the City which have been identified in relation to internal audit recommendations. These amounts are potential opportunities only, and have not all been realized.

Risk Assessment Summary

Engineering & Environmental Services

Regional Water Supply

- Treatment and transmission operations, compliance and maintenance management
- Treatment transmission engineering construction and optimization



Lake Huron and Elgin Areas Board of Management*

* The City has an administration role

Water & Wastewater

- Pollution control operations
- Wastewater and drainage engineering
- Sewer operations
- Construction administration
- Water operations
- Water engineering




Roads & Transportation

- Roadway lighting and traffic control
- Transportation planning and design
- Transportation and roadside operations
- Geomatics
- Stormwater management
- Industrial development

Environment, Fleet & Solid Waste

- Environmental programs
- Solid waste management
- Solid waste operations
- Fleet services

Relative Division Risk Assessment:

-  Higher risk
-  Moderate risk
-  Low Risk

Risk Assessment Summary, Continued

Development & Compliance Services

Building

- Inspections
- Plans examinations
- Property standards
- Property compliance and zoning
- Minor variances

Licensing & By-Law Enforcement

- Municipal by-law enforcement
- Business licensing
- Parking enforcement
- Animal care and control




Development Compliance Services

- Site plans
- Engineering review
- Consents
- Condominiums
- Subdivisions

Business Services

- Operational support and administration
- Cash handling
- Customer call centre

Relative Division Risk Assessment:

-  Higher risk
-  Moderate risk
-  Low Risk

Risk Assessment Summary, Continued

Planning

Environmental & Park Planning

- Natural heritage planning
- Environmentally Significant Area conservation master plans
- Parks and pathway project design and management
- Parkland dedication negotiation
- Community projects collaboration

Urban Forestry

- Forestry master planning
- Pest and disease strategies
- Planting plans and programs




Policy Planning & Programs

- Official plan policy development and stewardship
- Policy projects
- Heritage planning
- Downtown and business district revitalization
- Incentive program administration

Community Planning & Design

- Urban design
- Official plan amendment processing
- Zoning by-law amendment processing
- Secondary plans and community improvement plans

Relative Division Risk Assessment:

-  Higher risk
-  Moderate risk
-  Low Risk

Risk Assessment Summary, Continued

Corporate Services – Finance & IT

Finance

- Purchasing
- Tangible capital assets
- Financial systems controls
- Accounting
- Taxation and revenue
- Payroll
- Development financing
- Asset management

Information Technology




- Information security
- Information system security and software
- Computer controls and hardware
- Business system analysis

Facilities

Financial Planning & Policy

Investment & Partnerships

Relative Division Risk Assessment:

-  Higher risk
-  Moderate risk
-  Low Risk

Risk Assessment Summary, Continued

Corporate Services – Human Resources

Human Resources

- RTW and attendance support
- Employee and client relations
- Occupational health and safety and corporate training
- Labour relations
- Rewards and recognition
- Human resources information system (HRIS)

Human Rights

Corporate Security

Emergency Management

Communications

Corporate Services - Legal




Clerks

- Records and information services
- Court administration
- Legislative services
- Licensing and elections

Legal Services

Risk Management

Relative Division Risk Assessment:

-  Higher risk
-  Moderate risk
-  Low Risk

Risk Assessment Summary, Continued

Housing & Social Services & Dearness Home

Long-term Care

(Dearness Home)

Housing

- Housing access centre
- Social housing administration
- Oversight of LMHC
- Affordable housing program

Ontario Works & Employment




Neighbourhood, Children & Fire Services

Fire

Neighbourhoods & Children's Services

- Area recreation services
- Community development and funding
- Children services
- Homelessness

Relative Division Risk Assessment:

-  Higher risk
-  Moderate risk
-  Low Risk

Risk Assessment Summary, Continued

Parks & Recreation

Parks & Community Support

- Parks operations
- Golf
- Allocations and support services
- Special events




Arenas, Aquatics and Attractions

- Arena operations
- Aquatics operations
- Storybook Gardens

Administration

- Customer service
- Business solutions

Relative Division Risk Assessment:

-  Higher risk
-  Moderate risk
-  Low Risk

Proposed 2015 Performance-Based Internal Audit Plan

	Project	Key Focus
1	<i>All Service Areas:</i> Project management and prioritization	<ul style="list-style-type: none"> - Process-based management of projects supported by adequate planning, monitoring and controlling activities - Prioritization of projects based on rankings and business cases
2	<i>Engineering & Environmental Services:</i> Regional water supply cost structure review	<ul style="list-style-type: none"> - Review of the regional water supply cost structure and cost allocation processes
3	<i>Development & Compliance Services:</i> Development Services - processes and approvals surrounding site plans and subdivisions	<ul style="list-style-type: none"> - Review of development services processes and approvals surrounding site plans and subdivisions - Compliance with document retention policies
4	<i>Parks & Recreation:</i> Cost structure and delivery model	<ul style="list-style-type: none"> - Review of parks and recreation cost structure and delivery models for all functional areas, including analysis of use of internal resources vs. outsourcing opportunities for certain services
5	<i>Corporate Services – Finance & IT:</i> Software utilization, consistency and integration	<ul style="list-style-type: none"> - Review of number and types of software applications to assess for redundancies/overlap and opportunities for streamlining and improving integration - Assessment of software/module utilization
6	<i>Neighbourhood, Children & Fire Services:</i> Neighbourhood and children - Strategic funding formula review	<ul style="list-style-type: none"> - Evaluation of community and development funding model and allocation processes
7	<i>Corporate Services – Human Resources:</i> Performance review processes	<ul style="list-style-type: none"> - Assessment of performance review processes, including effective development of goals, integration with strategic objectives and business plans, and ongoing monitoring activities
8	<i>All Service Areas:</i> Strategic planning process review	<ul style="list-style-type: none"> - Assessment of the City's strategic planning process including development, stakeholder involvement, communication and ongoing monitoring and evaluation of strategies
9	<i>Corporate Services – Finance & IT:</i> Investments and Partnerships - Project management and prioritization, funding allocation review (deferred from 2014)	<ul style="list-style-type: none"> - Process-based management of projects supported by adequate planning, monitoring and controlling activities - Prioritization of projects based on rankings and business cases - Review of funding model