

<b>TO:</b>	<b>CHAIR AND MEMBERS AUDIT COMMITTEE MEETING ON MAY 23, 2013</b>
<b>FROM:</b>	<b>ART ZUIDEMA CITY MANAGER</b>
<b>SUBJECT:</b>	<b>ENGAGEMENT OF PRICEWATERHOUSECOOPERS (PwC) FOR OPERATIONAL REVIEWS AT BOARDS AND COMMISSIONS</b>

<b>RECOMMENDATION</b>
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That the following actions be taken with respect to the engagement of PricewaterhouseCoopers (PwC) to undertaken operational reviews at the Boards and Commissions:

- a) Pursuant to section 13.7 of the Council Procedure By-law, the actions of the Municipal Council taken at its meeting of December 11, 2012, related to the adoption of clause 4 of the 5th Report of the Audit Committee, concerning the request and encouragement of the Boards and Commissions to engage the services of PricewaterhouseCoopers for the purpose of an internal audit of their existing processes **BE RECONSIDERED**;
- b) the report dated May 23, 2013 regarding this matter **BE RECEIVED**;
- c) the following attached letters **BE RECEIVED**:
  - (i) London Police Services dated April 10, 2013;
  - (ii) London Transit Commission, dated March 28, 2013;
  - (iii) London Public Library, dated April 12, 2013; and,
  - (iv) Museum London, dated March 31, 2013;
- d) PricewaterhouseCoopers LLP (PwC) **BE DIRECTED** to complete an engagement letter for an operational review of the London Transit Commission on a project determined by PwC in consultation with London Transit, which is exclusive of London Transit's current initiatives underway. Noting the source of funding comes from capacity within the annual budget of \$300,000;
- e) any demonstrable savings or efficiency gains resulting from the operational review of the London Transit Commission **BE APPLIED** to the London Transit's long term growth strategy;
- f) PwC LLP **BE DIRECTED** to complete an engagement letter for an operational review of the London Public Library on a review of the Library's sources of revenue; and,
- g) future audits for Boards and Commission **BE BROUGHT** forward to future Audit Committee meetings to determine the scope and timing of those engagements;

it being noted that on-going savings achieved should assist in providing sustainable annual budget requests.

## PREVIOUS REPORTS PERTINENT TO THIS MATTER

Audit Committee, November 29, 2012 – Councillor M. Brown – Internal Audit Services of PricewaterhouseCoopers (PwC).

## BACKGROUND

On December 11, 2012, Municipal Council approved the following recommendation from the Audit Committee:

“That on the recommendation of the Audit Committee, the City Manager and the Audit Chair be requested to jointly approach the City’s Boards and Commissions to:

- a) request and encourage the Boards and Commissions to engage the services of PricewaterhouseCoopers for the purpose of an internal audit of their existing processes, under the City’s existing terms of engagement and at the City’s expense, subject to:
  - i) annual budget availability;
  - ii) submission of detailed requests to the City of London’s Audit Committee; and
  - iii) prioritization of the annual audit plan by the City of London’s Audit Committee; and
  
- b) suggest that any operational savings resulting from an internal audit of a board or commission be returned to the City of London to assist in covering the costs of the audit and, where there are “go-forward” savings, to reduce the overall budget of the Board or Commission;

it being noted that the Middlesex London Housing Corporation recently undertook such an audit and is reviewing the potential implementation of recommendations and the associated cost-savings.”

This initiative was raised due to the fact that the average tax levy increase from rates over the past 4 years (2009 – 2012) had been 1.12%. Over that same 4 year time period, the average operating budgets for Civic Departments had increased 0.1% and the average operating budgets for Boards and Commissions had increased 4.4%.

This initiative is to assist Boards and Commissions with achieving ongoing sustainability with their annual budgets. This is more important than ever with the discussion of moving toward multi-year budget allocations.

During the period February 8 to 12, 2013, a communication e-mail was sent to all of the City’s Boards and Commissions, including a letter offering the internal audit service provided by PwC with the resolution from Council and also providing all of the background of the City’s experience with PwC for the first 2 years of the Internal Audit program.

Meetings were held with the London Transit Commission, London Police Services and the London Public Library during the period of February 14 – 22, 2013. A meeting is scheduled to be held with the London Convention Centre on June 10, 2013.

To date, the response has been positive and letters have been received back from London Transit Commission, London Public Library, London Police Services and Museum London. We would recommend that PwC undertake operational audits at both London Transit and the London Public Library in accordance with their requests and those discussions continue with other Boards and Commissions to determine the scope and timing for phase II of the internal audit process at the Boards and Commissions, including the second more comprehensive request from London Public Library.

On the correspondence from London Transit Commission, the recommendations included a request that any demonstrable savings be applied to the current service deficit consistent with LTC's long term growth strategy. That has led to the reconsideration clause in recommendation a) above, that is specifically related the recommendation clause e) above related to those savings being applied to Transit's long term growth strategy.

Additional recommendations for internal audits for Boards and Commissions will be brought back to future audit committee meetings for direction from the Committee and Council.

<b>PREPARED BY:</b>	<b>RECOMMENDED BY:</b>
<b>MIKE TURNER DEPUTY CITY TREASURER</b>	<b>ART ZUIDEMA CITY MANAGER</b>