

--	--

TO:	CHAIR AND MEMBERS AUDIT COMMITTEE MEETING ON September 27, 2012
FROM:	PwC INTERNAL AUDITORS
SUBJECT:	Quarterly Report on Internal Audit Results a) Development and Compliance Services - Building Control b) Parks & Recreation - Health & Safety c) Corporate Services - Finance - Purchasing Cards

RECOMMENDATION

That on the recommendation of PwC, this report **BE RECEIVED** for information and the action plans identified in Appendices A, B, C and D **BE RECOMMENDED** for approval.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
--

Risk Assessment and 3-Year Risk-Based Audit Plan from PricewaterhouseCoopers – Audit Committee March 31, 2011.

BACKGROUND

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

The purpose of this report is to communicate the results of internal audit projects completed to date, which include the following projects:

- Development and Compliance Services - Building Control
- Parks & Recreation - Health & Safety
- Corporate Services - Finance - Purchasing Cards

PwC requests Audit Committee approval of the action plans developed in collaboration between PwC and City management. Please also refer to the formal presentation document attached in Appendix D.

RECOMMENDED BY:
PwC INTERNAL AUDITORS

--	--

APPENDIX A – Development and Compliance Services - Building Control

Summary of Risks & Scope

Development and Compliance Services - Building Control

Scope

- Compliance with the Ontario Building Code (OBC) and applicable regulations for building permits and inspections
- Compliance with City of London document retention bylaws
- Clearance of deficient permits
- Customer relationships and communication
- Division economics

Risks

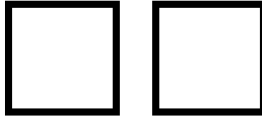
- Internal processes may not comply with OBC and applicable regulations
- Internal processes may not be followed consistently
- City of London document retention bylaws may not be followed
- Customer complaints and inquiries may not be effectively managed or efficiently addressed
- Opportunities may exist to improve division economics

Controls Operating Effectively

- Internal processes have been created and updated to ensure compliance with the OBC and applicable regulations. The Chief Building Official exercises oversight over these processes and ensures understanding of relevant OBC literature and case law is current through research and involvement with professional networks.
- No instances were noted where Architectural Plans Examiners and Building Inspectors did not comply with internal processes (which are aligned with rules established by the provincial government).
- Almost all building inspections occur within the 48 hour legislated timeline.
- No instances of non-compliance were noted when considering the City of London document retention bylaws.

Value-for-Money Considerations

- There is an opportunity to increase division revenues and meet a balanced division budget by increasing service fees.



Observations & Action Plans

#1: Draws from the corporate surplus

Observation:

The Building Control division has drawn \$1,014,252 from the City surplus in the past two years (\$697,206 in 2010, and \$317,046 in 2011) and \$931,827 from the division reserve fund in 2009. The cost of obtaining a building permit is lower in London than comparable municipalities and the Ontario industry. (Building Control division fees are 39% lower than the average for a number of other Ontario municipalities).

Business Impact:

Draws from a corporate surplus are not sustainable given the City of London's 0% budget increase environment. An opportunity to increase division revenues and the reserve fund exists. The reserve fund balance of \$1,370,888 has been unchanged since 2009 when \$931,827 was drawn from the fund, and there have been no contributions to the reserve fund since 2008 because of the division deficits over that period.

Action Plan:

Management should investigate opportunities to meet a balanced budget by exploring ideas such as increased service fees to customers. This may also help increase the division's reserve fund to expected levels.

Action Plan Lead:

Director of Building Controls; Deputy Chief Building Official and Manager of Permits

Timing:

December 31, 2012

#2: Backlog of inactive permits

Observation:

Building Inspectors have a growing backlog of inactive permits. An inactive permit typically results from an inspection that has been delayed by the customer or that was completed with a deficiency notice. Currently there is little analysis performed to understand the risk and complexity of the inactive permits within this backlog.

Business Impact:

Insufficient analysis of the inactive permit backlog prevents Building Inspectors from effectively prioritizing inactive permits requiring inspection and sign-off. The current process does not consider the risks associated with inactive permits.

Action Plan:

Management should perform some analysis over inactive permits to determine an efficient process for reducing the inactive backlog through signing off deficient (minor deficiencies waived and the permit is closed) or some other means, through consultation with Risk Management. Management should also investigate a policy to waive some deficiencies with immediate deficient sign-off at the point of inspection to avoid a growing backlog.

Action Plan Lead:

Manager of Inspections

Timing:

December 31, 2013



#3: Permit application review process does not always occur within the legislated timeframes

Observation:

Some activities currently included in the permit application review process (such as zoning review), are not legislated to be included in the permit application review process.

Business Impact:

The City of London could experience increased legal and financial exposure where legislated timeframes are not met. Exposure may include legal action against the corporation for the costs of delay incurred by builders as well as fines imposed by the Building Code Commission.

Action Plan:

Management should identify activities within the permit application review process which can be performed outside of legislated timeframes. Management should investigate excluding these activities from the current permit application review process or performing these activities concurrently with the permit application review process.

Action Plan Lead:

Manager of Inspections; Deputy Chief Building Official

Timing:

June 30, 2013

#4: See Confidential Appendix to the Report

#5: See Confidential Appendix to the Report

#6: Internal procedure manuals do not reflect employed processes of the division

Observation:

Documentation of current practices are maintained by internal flowcharts. The same processes are not reflected in the division's procedure manual.

Business Impact:

Inconsistencies between actual business practices and written policy could lead to errors and/or inconsistent processes. This could result in non-compliance with the Ontario Building Code or applicable regulations.

Action Plan:

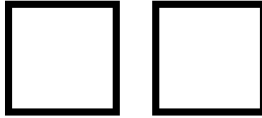
It is recommended that the Building Control division update its internal procedure manuals to accurately reflect the procedures adopted by staff which have been considered appropriate upon consideration of the Ontario Building Code and applicable regulations. A process should be put into place to establish regular review and update of the manuals.

Action Plan Lead:

Manager of Business Services

Timing:

December 31, 2012



#7: Customer concerns, issues and inquiries

Observation:

Customer concerns, issues and inquiries are communicated to various persons within the Building Control division. There is no formal process in place to identify common concerns, issues and inquiries and share the results throughout the division.

Business Impact:

An opportunity for greater effectiveness in responding to customer concerns, issues and inquiries exists where information to support common customer inquiries is maintained centrally and communicated to all staff. Furthermore, where all staff are aware of a common inquiry and division-supported response, customer inquiries could be responded to more timely and may not need to be elevated to management or staff members who are working to meet legislative deadlines.

Action Plan:

Management should investigate opportunities to identify common concerns, issues and inquiries through a centralized communication process and share the effective responses to those throughout the division.

Action Plan Lead:

Manager of Business Services

Timing:

December 31, 2012

#8: Customer inquiries and complaints

Observation:

Architectural Plans Examiners, Building Inspectors and Building Control management can spend significant time responding to customer complaints and inquiries.

Business Impact:

Responding to customer complaints and inquiries is another constraint on the Architectural Plans Examiners' and Building Inspectors' time and could compromise their ability to meet legislated deadlines.

Action Plan:

Management should investigate opportunities to manage their customer relationships by identifying frequent customer inquiries and complaints and adopting a strategy to reduce these common complaints and inquiries. For example, providing residential customers with information regarding the permit application review process may reduce calls to the City inquiring about permit status.

Action Plan Lead:

Manager of Inspections

Timing:

June 30, 2013

--	--

APPENDIX B – Parks & Recreation - Health & Safety

Summary of Risks & Scope

Parks & Recreation - Health & Safety

Scope

- Consistent and complete documentation of inspections and actions performed as a result of health and safety concerns noted
- Consistent and complete documentation of employee and patron injuries
- Sufficient oversight and monitoring of compliance with health and safety requirements
- Sufficient and appropriate training is provided to staff members

Risks

- Regular inspections performed may not be completely or consistently documented and appropriate follow-up actions may not be performed to prevent repeat health and safety incidences
- Documentation of employee or patron injuries may not be complete, resulting in the inability of the City to provide evidence of compliance with Ministry requirements
- There may be insufficient oversight over health and safety matters
- Staff may not be appropriately trained

Controls Operating Effectively

- Inspections are consistently performed and appropriately documented
- Sufficient oversight and monitoring exists over health and safety risks
- Staff are appropriately trained

Value-for-Money Considerations

An opportunity exists to reduce training costs by assessing the necessity to offer the temporary orientation program to temporary staff member multiple times at the commencement of each term with the City. The potential savings are estimated to be approximately \$10,000 per annum.

--	--

Observations & Action Plans

#1: Central tracking of training

Observation:

The current database used by Human Resources (HR) to track training completed by employees does not include training contracted for, or delivered by service areas outside of HR. Parks & Recreation managers and supervisors maintain their own training records and there is inconsistency among them regarding the method used to track training.

Business Impact:

A potential risk exists that there is a gap in the recording, tracking and/or completion of required training. A potential risk also exists that the City would be unable to provide evidence of the training provided to staff members and compliance with Ministry of Labour (Ministry) requirements in a timely manner. Finally, a potential risk exists that without a central location for tracking training, both corporate and on-site training, that training is unnecessarily duplicated at a cost to the City.

Action Plan:

It is recommended that the City use the investigation performed to date to expedite the process of developing and implementing an organization-wide learning management system which would track the training and certifications completed by all staff members and allow for training content creation and delivery. The ownership over the new system and the responsibility for keeping the records up to date should be clearly assigned.

Action Plan Lead:

Manager, Occupational Health & Safety & Corporate Training

Timing:

September 30, 2012 (Strategy Finalization)

June 30, 2013 (Implementation)

#2: Consistent and complete documentation of injury reports

Observation:

Supervisory injury reports are used to document employee incidents which have occurred. The supervisory injury reports were not consistently documented as instances were noted without manager sign-off, or without documentation of follow-up performed.

Business Impact:

A potential risk exists that the appropriate actions have not been followed subsequent to an employee incident. This may impact the City's ability to provide evidence of compliance with Ministry requirements.

Action Plan:

It is recommended that the importance of fully completing these documents is re-communicated to all staff members. Follow-up should continue to be performed by the health and safety group when incomplete documents are received.

Action Plan Lead:

Manager of Parks Operations

Manager of Recreation Operations

Timing:

August 31, 2012

--	--

#3: Paper-based inspection reports

Observation:

Parks & Recreation currently documents the results of all parks and facility inspections reports on paper forms or log books. This results in difficulty in maintaining these records in a manner that allows for easy follow-up at a later date.

Business Impact:

A potential risk exists that the City may not be able to easily identify documentation of an inspection performed. This may impact the City's ability to provide evidence of compliance with Ministry requirements. This could also have a legal impact on the City if a legal issue were to arise and the required documentation could not be located.

Action Plan:

It is recommended, as part of the Continuous Improvement Plan, that the City consider and investigate the opportunity to integrate an electronic database for maintaining inspection reports as well as providing a mechanism for tracking and following up on outstanding items.

Action Plan Lead:

Manager of Parks Operations
Manager of Recreation Operations

Timing:

December 31, 2012

#4: Lack of functionality in the "Ask Facilities" request system

Observation:

The Facilities Maintenance division request system which is regularly used by Parks & Recreation staff to resolve health and safety concerns identified does not have functionality to allow for efficient follow-up. The system notifies the requestor upon receipt of a request, but no further notifications occur as the work is assigned or completed. The system does not allow the requestor to provide a priority ranking.

Business Impact:

A potential risk exists that a health and safety concern is not efficiently resolved, resulting in wasted staff time. A potential risk also exists that the priority level of the request item is not effectively communicated to Facilities.

Action Plan:

It is recommended that the City investigate the potential to include functionality in the "Ask Facilities" request system which would notify requestors when their request has been assigned and resolved, and provide the ability to assign a priority ranking to each request.

Action Plan Lead:

Facilities Division Manager

Timing:

December 31, 2012

--	--

#5: Lack of guidance regarding required training for Parks staff

Observation:

An up-to-date training matrix does not exist which outlines the required training at the various levels within Parks. A list of topics to review during on-site orientation is not consistently utilized by managers and supervisors.

Business Impact:

A potential risk exists that the training provided to staff members is not complete. A potential risk also exists that a complete list of topics is not covered with new staff members during on-site orientation.

Action Plan:

It is recommended, as a part of the Continuous Improvement Plan, that a training matrix is created to provide guidance to managers and supervisors regarding the required training for staff members, based on their position and responsibilities.

Action Plan Lead:

Manager of Parks Operations
Occupational Health & Safety Specialist, Parks & Recreation

Timing:

December 31, 2012

#6: Inconsistency in requests made to Facilities Maintenance division

Observation:

Facilities Maintenance division's "Ask Facilities" request system is not used consistently to communicate items requiring attention. Some requests are made by email or phone call.

Business Impact:

A potential risk exists that a health and safety concern identified is not communicated to an available and appropriate party. This may result in the concern not being resolved in a timely manner.

Action Plan:

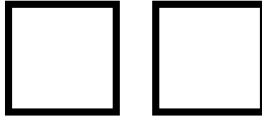
It is recommended, as part of the Continuous Improvement Plan, that the importance of submitting all Facilities requests via the "Ask Facilities" database is re-communicated to Parks and Recreation staff.

Action Plan Lead:

Manager of Parks Operations
Manager of Recreation Operations

Timing:

August 31, 2012



#7: Potential duplication of temporary and casual staff training

Observation:

In addition to the three days of corporate training provided to every new staff member, a three hour orientation is provided to all new temporary and casual staff members at the commencement of each term with the City. This training may be provided multiple times if a temporary or casual staff member is transferred among positions.

Business Impact:

A potential risk exists that training costs are too high for temporary and casual staff as duplicate temporary and casual staff training may be provided. The financial impact is estimated to be approximately \$10,000 per annum for Parks & Recreation and may be higher on a corporation-wide basis.

Action Plan:

It is recommended, as a part of the Continuous Improvement Plan, that temporary and casual staff training is provided only once, when applicable, and an online training method is utilized for returning temporary and casual staff members. This online training should be required as a condition for employment, and therefore completed prior to the commencement of their contracted work term. The opportunity to develop online training content for on-the-job training components should also be considered.

Action Plan Lead:

Manager of Parks Operations
Manager of Recreation Operations

Timing:

December 31, 2012

--	--

APPENDIX C – Corporate Services - Finance - Purchasing Cards

Summary of Risks & Scope

Corporate Services - Finance - Purchasing Cards

Scope

- Approval and issuance of new purchasing cards (PCards) to appropriate individuals
- Approval of PCard and single transaction limits
- Timely cancellation of PCards held by employees departing from the City
- Physical security of PCards
- Sufficient oversight and monitoring of compliance with purchasing card policies
- Overall cost effectiveness of the PCard process

Risks

- New PCards may be issued to ineligible individuals
- Unapproved limit changes may result in inappropriate costs charged to the City
- PCards may be held by individuals not currently employed on a full-time basis with the City
- PCard information may be accessible by unauthorized individuals, if not physically secured, resulting in inappropriate costs charged to the City
- There may be insufficient oversight over compliance with PCard policies
- Costs savings may exist in the administration of the PCard process

Controls Operating Effectively

- Newly issued PCards and permanent limit changes are appropriately approved and documented
- PCards are cancelled in a timely manner subsequent to an employee departure
- PCard information is appropriately secured
- An appropriate level of monitoring controls are in place to detect instances of non-compliance with policy

Value-for-Money Considerations

An opportunity exists to reduce PCard administration costs and increase program benefits when issuing a Request for Proposal at the completion of the current banking agreement. The City will incorporate specific advantageous terms within this request.

An opportunity exists to reduce overall expenditures by investigating purchasing agreements with additional vendors whom the City frequently purchases from.

--	--

Observations & Action Plans

#1: Monitoring of limit changes

Observation:

The PCard system offered by the City's financial institution does not provide an audit trail of limit changes made, including the effective date of previous limit changes, and who authorized the changes.

Business Impact:

A potential risk exists that Accounts Payable (AP) does not have the capability to properly monitor the appropriateness of limit changes made in the PCard system, as only the currently existing limits are presented. The PCard system does not allow for appropriate reporting to compensate for the current lack of segregation of duties within the PCard process.

Action Plan:

It is recommended that a periodic audit is performed over limit changes, which would require a report of limit changes to be produced on a regular basis. A sample of limit changes should be verified against approved Maintenance Forms. The person responsible for this reporting should not have access to change limits.

It is also recommended that the City inquire with their financial institution regarding additional reporting capabilities surrounding limit changes.

Action Plan Lead:

Manager of Accounts Payable

Timing:

December 31, 2012

#2: Compliance with purchasing card policy

Observation:

Several instances of non-compliance with the PCard policies were noted including photocopies of receipts instead of originals and monthly receipt reconciliations not signed by the cardholders. There were no material or egregious breaches in compliance with the purchasing card policy detected in the sample reviewed.

Business Impact:

A potential risk exists that costs are being incurred which do not comply with City policies.

Action Plan:

It is recommended that site coordinators are periodically reminded that only original receipts are acceptable as proof of purchase and the cardholder must sign off on their monthly expense reconciliation.

It is also recommended that the City consider implementation of a periodic external audit of the PCard process in order to provide independent review and analysis.

Action Plan Lead:

Manager of Accounts Payable

Timing:

August 31, 2012 (Closed)

--	--

#3: Purchasing cards with minimal activity

Observation:

There are several PCards held by employees with very little to no activity.

Business Impact:

A potential risk exists that there are PCards held by employees that do not have a business need to have possession of a PCard. Also, PCards which are rarely used are at risk of loss.

Action Plan:

It is recommended that an annual audit process is implemented such that cards with minimal or no activity are reviewed and cancelled if applicable.

Action Plan Lead:

Manager of Accounts Payable

Timing:

December 31, 2012

#4: Contracted vendor list

Observation:

PCard holders are not directed to the list of contracted vendors to purchase from vendors who can provide the City the best value.

Business Impact:

A potential risk exists that the City is missing out on volume purchase discount opportunities.

Action Plan:

It is recommended that the City investigate opportunities to create agreements with additional vendors where purchases are frequently made to take advantage of volume purchase discounts available. The City should ensure the listing of contracted vendors is maintained, accessible and effectively communicated to cardholders. The City should amend the current Cardholder Acknowledgement Form to reference the existence of the contracted vendor list.

Action Plan Lead:

Manager of Accounts Payable, Manager of Purchasing & Supply, and Deputy City Treasurer

Timing:

December 31, 2012

--	--

#5: Monitoring of instances of non-compliance

Observation:

A formal record of incidences of non-compliance with the purchasing card policy is not maintained. This resulted in a repeat incident occurring without escalation in the response by AP.

Business Impact:

A potential risk exists that the appropriate steps are not followed for repeat instances of non-compliance with policy. This may result in inappropriate costs charged to the City.

Action Plan:

It is recommended that a formal list of instances of non-compliance is maintained. Each time an employee is identified as being non-compliant, the full history of his/her non-compliance should be reviewed to determine if the employee is a repeat offender.

Action Plan Lead:

Manager of Accounts Payable

Timing:

August 31, 2012 (Closed)

#6: Limit change request form

Observation:

The Maintenance Form required for permanent limit changes is not used for temporary limit changes, which are requested via email. The Maintenance Form does not prompt the user to note the effective date of the limit change.

Business Impact:

A potential risk exists that information required to accurately update card limits such as effective dates, expiry dates, and original limits may not be accurately communicated to AP staff and, as a result, a PCard may exist with incorrect limits.

A potential risk also exists that a limit change may be made with an inappropriate effective date. This results in an unclear audit trail to show when the permanent change was authorized by the manager to take effect.

Action Plan:

It is recommended that a structured request is required for temporary limit changes received via email. It is also recommended that the Maintenance Form used for permanent limit changes should be amended such that the requestor is required to state the effective date of the change and the original limit amount.

Action Plan Lead:

Manager of Accounts Payable

Timing:

August 31, 2012 (Closed)

The Corporation of the City of London

Quarterly Report on Internal Audit Results

- Building Control
- Parks & Recreation – Health & Safety
- Purchasing Cards

September 27, 2012

Agenda

	Page
Internal Audit Trends in Other Municipalities	3
Rating Scale – Opportunities for Improvement	4
Summary of Risks & Scope – Development and Compliance Services – Building Control	6
Action Plan Summary – Development and Compliance Services – Building Control	7
Observations & Actions Plans – Development and Compliance Services – Building Control	8
Summary of Risks & Scope – Parks & Recreation – Health & Safety	17
Action Plan Summary – Parks & Recreation – Health & Safety	18
Observations & Actions Plans – Parks & Recreation – Health & Safety	19
Summary of Risks & Scope – Corporate Services – Finance – Purchasing Cards	27
Action Plan Summary – Corporate Services – Finance – Purchasing Cards	28
Observations & Actions Plans – Corporate Services – Finance – Purchasing Cards	29
Internal Audit Projects in Progress	35
Internal Audit Schedule – 2012	36
Internal Audit Scorecard – September 2012	37
Status of Past Project Action Plans	38

Internal Audit Trends in Other Municipalities

- Increased focus on value based budgets
- Reviews of the budget process and benchmarking
- Reviews of significant capital projects
- Reviews of current Enterprise Risk Management framework
- Digital transformation

Rating Scale – Opportunities for Improvement

- Satisfactory

Controls are present to mitigate process/business risk, however an opportunity exists for improvement.

Satisfactory 

- Needs Improvement

Existing controls may not mitigate process/business risk and management should consider implementing a stronger control structure.

Needs Improvement 

- Unsatisfactory

Control weaknesses are significant and the overall exposure to risk is unacceptable. Immediate attention and oversight from management is required.

Unsatisfactory 

Development and Compliance Services – Building Control

Summary of Risks & Scope

Development and Compliance Services – Building Control

Scope

- Compliance with the Ontario Building Code (OBC) and applicable regulations for building permits and inspections
- Compliance with City of London document retention bylaws
- Clearance of deficient permits
- Customer relationships and communication
- Division economics

Risks

- Internal processes may not comply with OBC and applicable regulations
- Internal processes may not be followed consistently
- City of London document retention bylaws may not be followed
- Customer complaints and inquiries may not be effectively managed or efficiently addressed
- Opportunities may exist to improve division economics

Controls Operating Effectively

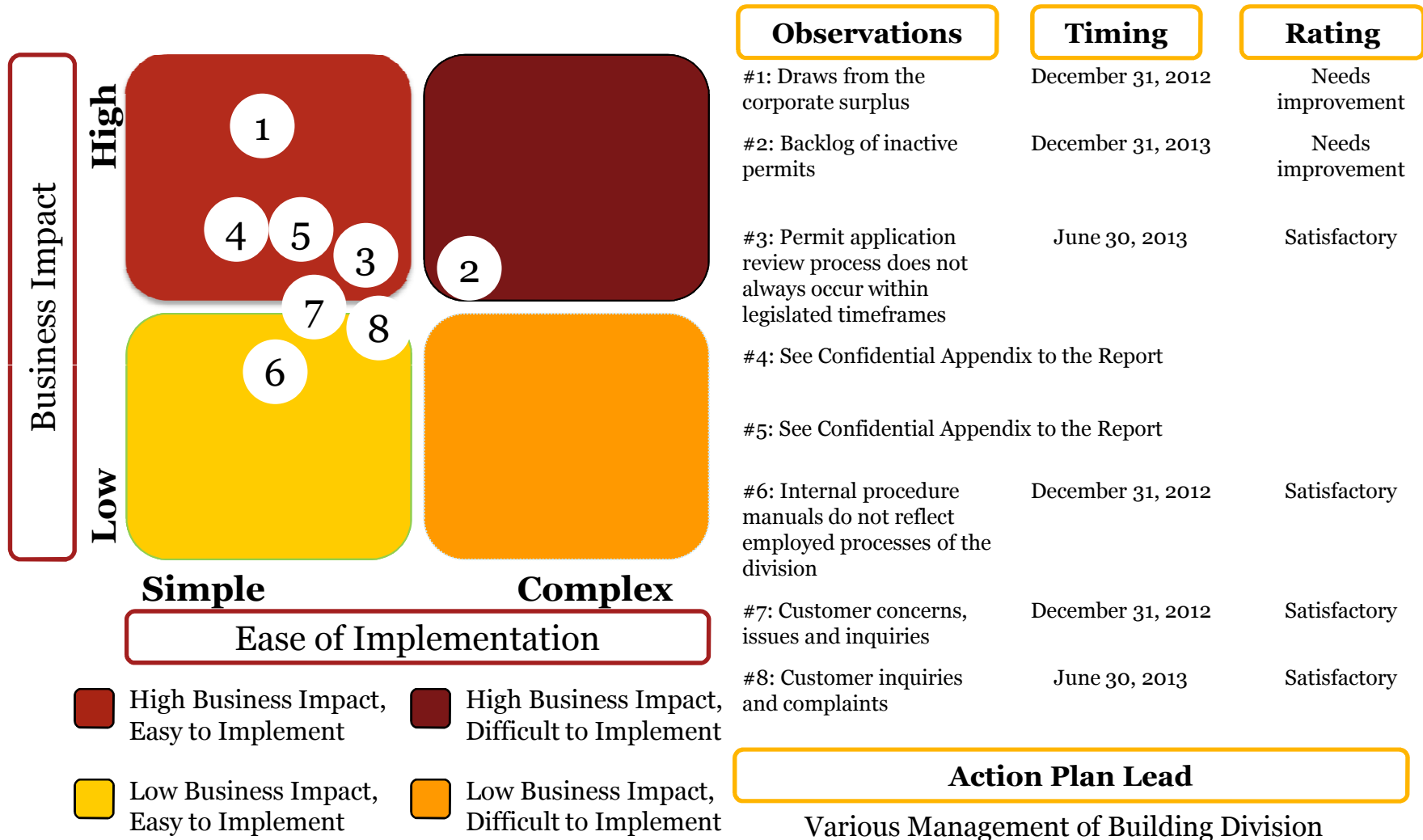
- Internal processes have been created and updated to ensure compliance with the OBC and applicable regulations. The Chief Building Official exercises oversight over these processes and ensures understanding of relevant OBC literature and case law is current through research and involvement with professional networks.
- No instances were noted where Architectural Plans Examiners and Building Inspectors did not comply with internal processes (which are aligned with rules established by the provincial government).
- Almost all building inspections occur within the 48 hour legislated timeline.
- No instances of non-compliance were noted when considering the City of London document retention bylaws.

Value-for-Money Considerations

- There is an opportunity to increase division revenues and meet a balanced division budget by increasing service fees.

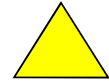
Action Plan Summary

Development and Compliance Services – Building Control



Observations & Action Plans -#1 Development and Compliance Services – Building Control

**Needs
Improvement**



Observation

Draws from the corporate surplus

The Building Control division has drawn \$1,014,252 from the City surplus in the past two years (\$697,206 in 2010, and \$317,046 in 2011) and \$931,827 from the division reserve fund in 2009. The cost of obtaining a building permit is lower in London than comparable municipalities and the Ontario industry. (Building Control division fees are 39% lower than the average for a number of other Ontario municipalities).

Business Impact

Draws from a corporate surplus are not sustainable given the City of London's 0% budget increase environment. An opportunity to increase division revenues and the reserve fund exists. The reserve fund balance of \$1,370,888 has been unchanged since 2009 when \$931,827 was drawn from the fund, and there have been no contributions to the reserve fund since 2008 because of the division deficits over that period.

Action Plan

Management should investigate opportunities to meet a balanced budget by exploring ideas such as increased service fees to customers. This may also help increase the division's reserve fund to expected levels.

Action Plan Lead

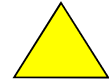
Director of Building Controls; Deputy Chief Building Official and Manager of Permits

Timing

December 31, 2012

Observations & Action Plans -#2 ***Development and Compliance Services*** ***– Building Control***

**Needs
Improvement**



Observation

Backlog of inactive permits

Building Inspectors have a growing backlog of inactive permits. An inactive permit typically results from an inspection that has been delayed by the customer or that was completed with a deficiency notice. Currently there is little analysis performed to understand the risk and complexity of the inactive permits within this backlog.

Business Impact

Insufficient analysis of the inactive permit backlog prevents Building Inspectors from effectively prioritizing inactive permits requiring inspection and sign-off. The current process does not consider the risks associated with inactive permits.

Action Plan

Management should perform some analysis over inactive permits to determine an efficient process for reducing the inactive backlog through signing off deficient (minor deficiencies waived and the permit is closed) or some other means, through consultation with Risk Management. Management should also investigate a policy to waive some deficiencies with immediate deficient sign-off at the point of inspection to avoid a growing backlog.

Action Plan Lead

Manager of Inspections

Timing

December 31, 2013

Observations & Action Plans -#3 ***Development and Compliance Services*** ***– Building Control***

Satisfactory



Observation

Permit application review process does not always occur within legislated timeframes

Some activities currently included in the permit application review process (such as zoning review), are not legislated to be included in the permit application review process.

Business Impact

The City of London could experience increased legal and financial exposure where legislated timeframes are not met. Exposure may include legal action against the corporation for the costs of delay incurred by builders as well as fines imposed by the Building Code Commission.

Action Plan

Management should identify activities within the permit application review process which can be performed outside of legislated timeframes. Management should investigate excluding these activities from the current permit application review process or performing these activities concurrently with the permit application review process.

Action Plan Lead

Manager of Inspections; Deputy Chief
Building Official

Timing

June 30, 2013

***Observations & Action Plans -#4
Development and Compliance Services
– Building Control***

See Confidential Appendix to the Report

***Observations & Action Plans -#5
Development and Compliance Services
– Building Control***

See Confidential Appendix to the Report

Observations & Action Plans -#6 Development and Compliance Services – Building Control

Satisfactory



Observation

Internal procedure manuals do not reflect employed processes of the division

Documentation of current practices are maintained by internal flowcharts. The same processes are not reflected in the division's procedure manual.

Business Impact

Inconsistencies between actual business practices and written policy could lead to errors and/or inconsistent processes. This could result in non-compliance with the Ontario Building Code or applicable regulations.

Action Plan

It is recommended that the Building Control division update its internal procedure manuals to accurately reflect the procedures adopted by staff which have been considered appropriate upon consideration of the Ontario Building Code and applicable regulations. A process should be put into place to establish regular review and update of the manuals.

Action Plan Lead

Manager of Business Services

Timing

December 31, 2012

Observations & Action Plans -#7

Development and Compliance Services

– Building Control

Satisfactory



Observation

Customer concerns, issues and inquiries

Customer concerns, issues and inquiries are communicated to various persons within the Building Control division. There is no formal process in place to identify common concerns, issues and inquiries and share the results throughout the division.

Business Impact

An opportunity for greater effectiveness in responding to customer concerns, issues and inquiries exists where information to support common customer inquiries is maintained centrally and communicated to all staff. Furthermore, where all staff are aware of a common inquiry and division-supported response, customer inquiries could be responded to more timely and may not need to be elevated to management or staff members who are working to meet legislative deadlines.

Action Plan

Management should investigate opportunities to identify common concerns, issues and inquiries through a centralized communication process and share the effective responses to those throughout the division.

Action Plan Lead

Manager of Business Services

Timing

December 31, 2012

Observations & Action Plans -#8 ***Development and Compliance Services*** ***– Building Control***

Satisfactory



Observation

Customer inquiries and complaints

Architectural Plans Examiners, Building Inspectors and Building Control management can spend significant time responding to customer complaints and inquiries.

Business Impact

Responding to customer complaints and inquiries is another constraint on the Architectural Plans Examiners' and Building Inspectors' time and could compromise their ability to meet legislated deadlines.

Action Plan

Management should investigate opportunities to manage their customer relationships by identifying frequent customer inquiries and complaints and adopting a strategy to reduce these common complaints and inquiries. For example, providing residential customers with information regarding the permit application review process may reduce calls to the City inquiring about permit status.

Action Plan Lead

Manager of Inspections

Timing

June 30, 2013

Parks & Recreation – Health & Safety

Summary of Risks & Scope

Parks & Recreation – Health & Safety

Scope

- Consistent and complete documentation of inspections and actions performed as a result of health and safety concerns noted
- Consistent and complete documentation of employee and patron injuries
- Sufficient oversight and monitoring of compliance with health and safety requirements
- Sufficient and appropriate training is provided to staff members

Risks

- Regular inspections performed may not be completely or consistently documented and appropriate follow-up actions may not be performed to prevent repeat health and safety incidences
- Documentation of employee or patron injuries may not be complete, resulting in the inability of the City to provide evidence of compliance with Ministry requirements
- There may be insufficient oversight over health and safety matters
- Staff may not be appropriately trained

Controls Operating Effectively

- Inspections are consistently performed and appropriately documented
- Sufficient oversight and monitoring exists over health and safety risks
- Staff are appropriately trained

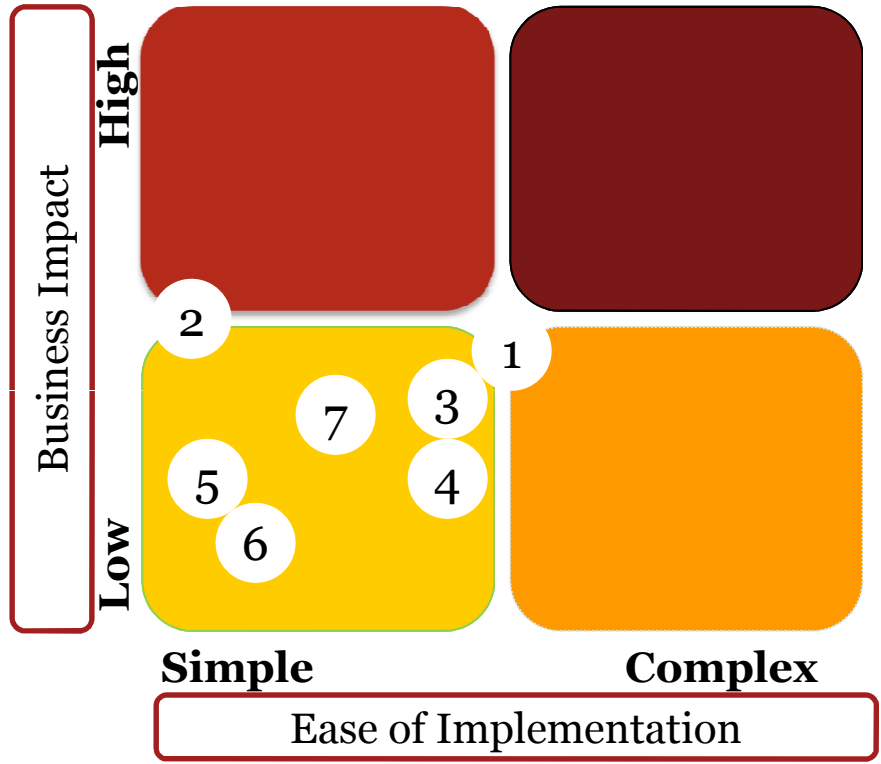
Value-for-Money Considerations

An opportunity exists to reduce training costs by assessing the necessity to offer the temporary orientation program to temporary staff member multiple times at the commencement of each term with the City. The potential savings are estimated to be approximately \$10,000 per annum.

Action Plan Summary

Parks & Recreation – Health & Safety

		Observations	Timing	Action Plan Lead	Rating
Business Impact	High	#1: Central tracking of training	Sep 30, 2012 & June 30, 2013	Mgr Occ. H&S, Corp. Training	Needs improvement
		#2: Consistent and complete documentation of injury reports	Aug 31, 2012	Mgr Parks, Mgr Rec.	Satisfactory
	Low	#3: Paper-based inspection reports	Dec 31, 2012	Mgr Parks, Mgr Rec.	Satisfactory
		#4: Lack of functionality in the “Ask Facilities” request system	Dec 31, 2012	Facilities Div. Mgr	Satisfactory
		#5: Lack of guidance regarding required training	Dec 31, 2012	Mgr Parks, Occ. H&S Specialist	Satisfactory
		#6: Inconsistency in requests made to Facilities Maintenance division	Aug 31, 2012	Mgr Parks, Mgr Rec.	Satisfactory
		#7: Potential duplication of temporary and casual staff training	Dec 31, 2012	Mgr Parks, Mgr Rec.	Satisfactory



- High Business Impact, Easy to Implement
- High Business Impact, Difficult to Implement
- Low Business Impact, Easy to Implement
- Low Business Impact, Difficult to Implement

Observations & Action Plans -#1 Parks & Recreation – Health & Safety

**Needs
Improvement** 

Observation

Central tracking of training

The current database used by Human Resources (HR) to track training completed by employees does not include training contracted for, or delivered by service areas outside of HR. Parks & Recreation managers and supervisors maintain their own training records and there is inconsistency among them regarding the method used to track training.

Business Impact

A potential risk exists that there is a gap in the recording, tracking and/or completion of required training. A potential risk also exists that the City would be unable to provide evidence of the training provided to staff members and compliance with Ministry of Labour (Ministry) requirements in a timely manner. Finally, a potential risk exists that without a central location for tracking training, both corporate and on-site training, that training is unnecessarily duplicated at a cost to the City.

Action Plan

It is recommended that the City use the investigation performed to date to expedite the process of developing and implementing an organization-wide learning management system which would track the training and certifications completed by all staff members and allow for training content creation and delivery. The ownership over the new system and the responsibility for keeping the records up to date should be clearly assigned.

Action Plan Lead

Manager, Occupational Health & Safety & Corporate Training

Timing

September 30, 2012 (Strategy Finalization)
June 30, 2013 (Implementation)

Observations & Action Plans -#2

Parks & Recreation – Health & Safety

Satisfactory



Observation

Consistent and complete documentation of injury reports

Supervisory injury reports are used to document employee incidents which have occurred. The supervisory injury reports were not consistently documented as instances were noted without manager sign-off, or without documentation of follow-up performed.

Business Impact

A potential risk exists that the appropriate actions have not been followed subsequent to an employee incident. This may impact the City's ability to provide evidence of compliance with Ministry requirements.

Action Plan

It is recommended that the importance of fully completing these documents is re-communicated to all staff members. Follow-up should continue to be performed by the health and safety group when incomplete documents are received.

Action Plan Lead

Manager of Parks Operations
Manager of Recreation Operations

Timing

August 31, 2012

Observations & Action Plans -#3

Parks & Recreation – Health & Safety

Satisfactory



Observation

Paper-based inspection reports

Parks & Recreation currently documents the results of all parks and facility inspections reports on paper forms or log books. This results in difficulty in maintaining these records in a manner that allows for easy follow-up at a later date.

Business Impact

A potential risk exists that the City may not be able to easily identify documentation of an inspection performed. This may impact the City's ability to provide evidence of compliance with Ministry requirements. This could also have a legal impact on the City if a legal issue were to arise and the required documentation could not be located.

Action Plan

It is recommended, as part of the Continuous Improvement Plan, that the City consider and investigate the opportunity to integrate an electronic database for maintaining inspection reports as well as providing a mechanism for tracking and following up on outstanding items.

Action Plan Lead

Manager of Parks Operations
Manager of Recreation Operations

Timing

December 31, 2012

Observations & Action Plans -#4

Parks & Recreation – Health & Safety

Satisfactory



Observation

Lack of functionality in the “Ask Facilities” request system

The Facilities Maintenance division request system which is regularly used by Parks & Recreation staff to resolve health and safety concerns identified does not have functionality to allow for efficient follow-up. The system notifies the requestor upon receipt of a request, but no further notifications occur as the work is assigned or completed. The system does not allow the requestor to provide a priority ranking.

Business Impact

A potential risk exists that a health and safety concern is not efficiently resolved, resulting in wasted staff time. A potential risk also exists that the priority level of the request item is not effectively communicated to Facilities.

Action Plan

It is recommended that the City investigate the potential to include functionality in the “Ask Facilities” request system which would notify requestors when their request has been assigned and resolved, and provide the ability to assign a priority ranking to each request.

Action Plan Lead

Facilities Division Manager

Timing

December 31, 2012

Observations & Action Plans -#5

Parks & Recreation – Health & Safety

Satisfactory



Observation

Lack of guidance regarding required training for Parks staff

An up-to-date training matrix does not exist which outlines the required training at the various levels within Parks. A list of topics to review during on-site orientation is not consistently utilized by managers and supervisors.

Business Impact

A potential risk exists that the training provided to staff members is not complete. A potential risk also exists that a complete list of topics is not covered with new staff members during on-site orientation.

Action Plan

It is recommended, as a part of the Continuous Improvement Plan, that a training matrix is created to provide guidance to managers and supervisors regarding the required training for staff members, based on their position and responsibilities.

Action Plan Lead

Manager of Parks Operations
Occupational Health & Safety
Specialist, Parks & Recreation

Timing

December 31, 2012

Observations & Action Plans -#6

Parks & Recreation – Health & Safety

Satisfactory



Observation

Inconsistency in requests made to Facilities Maintenance division

Facilities Maintenance division's "Ask Facilities" request system is not used consistently to communicate items requiring attention. Some requests are made by email or phone call.

Business Impact

A potential risk exists that a health and safety concern identified is not communicated to an available and appropriate party. This may result in the concern not being resolved in a timely manner.

Action Plan

It is recommended, as part of the Continuous Improvement Plan, that the importance of submitting all Facilities requests via the "Ask Facilities" database is re-communicated to Parks and Recreation staff.

Action Plan Lead

Manager of Parks Operations
Manager of Recreation Operations

Timing

August 31, 2012

Observations & Action Plans -#7

Parks & Recreation – Health & Safety

Satisfactory



Observation

Potential duplication of temporary and casual staff training

In addition to the three days of corporate training provided to every new staff member, a three hour orientation is provided to all new temporary and casual staff members at the commencement of each term with the City. This training may be provided multiple times if a temporary or casual staff member is transferred among positions.

Business Impact

A potential risk exists that training costs are too high for temporary and casual staff as duplicate temporary and casual staff training may be provided. The financial impact is estimated to be approximately \$10,000 per annum for Parks & Recreation and may be higher on a corporation-wide basis.

Action Plan

It is recommended, as a part of the Continuous Improvement Plan, that temporary and casual staff training is provided only once, when applicable, and an online training method is utilized for returning temporary and casual staff members. This online training should be required as a condition for employment, and therefore completed prior to the commencement of their contracted work term. The opportunity to develop online training content for on-the-job training components should also be considered.

Action Plan Lead

Manager of Parks Operations
Manager of Recreation Operations

Timing

December 31, 2012

Corporate Services – Finance – Purchasing Cards

Summary of Risks & Scope

Corporate Services – Finance – Purchasing Cards

Scope

- Approval and issuance of new purchasing cards (PCards) to appropriate individuals
- Approval of PCard and single transaction limits
- Timely cancellation of PCards held by employees departing from the City
- Physical security of PCards
- Sufficient oversight and monitoring of compliance with purchasing card policies
- Overall cost effectiveness of the PCard process

Risks

- New PCards may be issued to ineligible individuals
- Unapproved limit changes may result in inappropriate costs charged to the City
- PCards may be held by individuals not currently employed on a full-time basis with the City
- PCard information may be accessible by unauthorized individuals, if not physically secured, resulting in inappropriate costs charged to the City
- There may be insufficient oversight over compliance with PCard policies
- Costs savings may exist in the administration of the PCard process

Controls Operating Effectively

- Newly issued PCards and permanent limit changes are appropriately approved and documented
- PCards are cancelled in a timely manner subsequent to an employee departure
- PCard information is appropriately secured
- An appropriate level of monitoring controls are in place to detect instances of non-compliance with policy

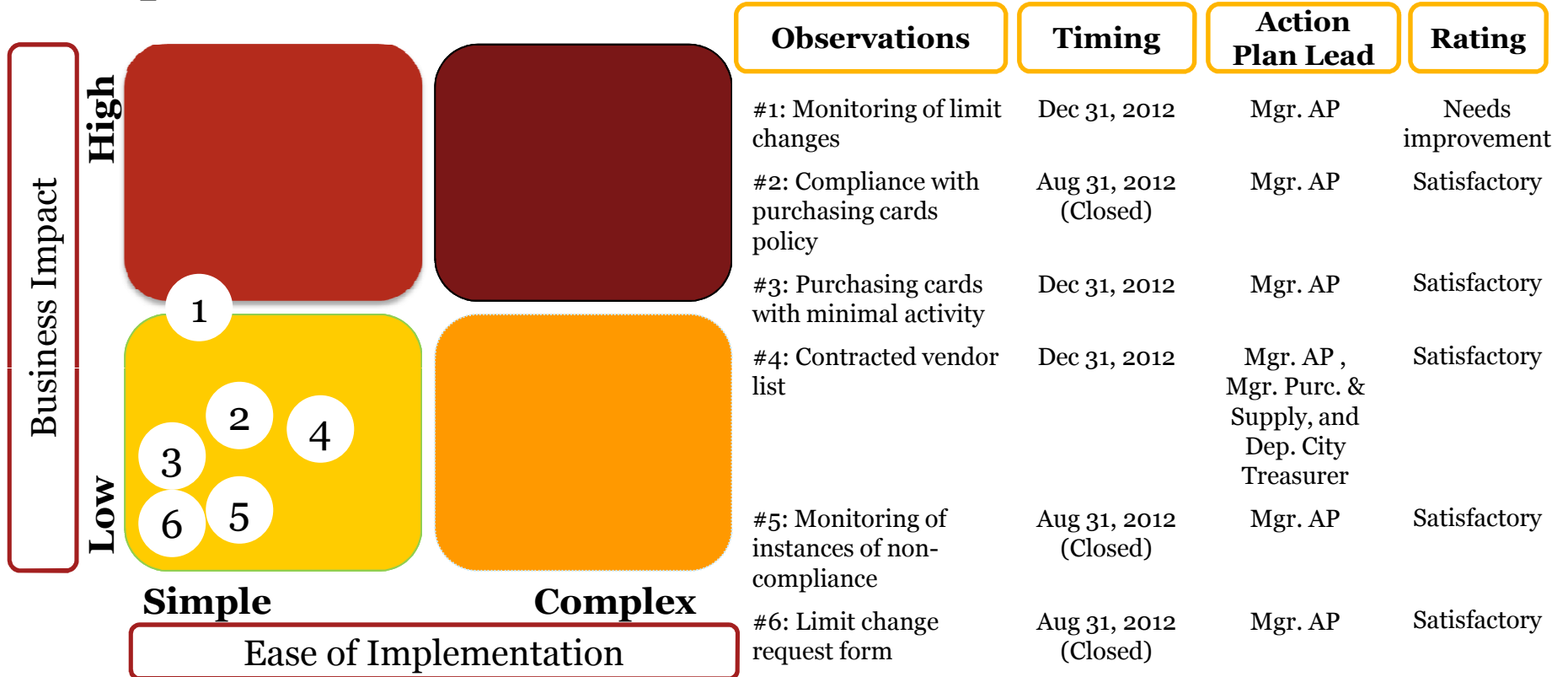
Value-for-Money Considerations

An opportunity exists to reduce PCard administration costs and increase program benefits when issuing a Request for Proposal at the completion of the current banking agreement. The City will incorporate specific advantageous terms within this request.

An opportunity exists to reduce overall expenditures by investigating purchasing agreements with additional vendors whom the City frequently purchases from.

Action Plan Summary

Corporate Services – Finance – Purchasing Cards

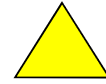


- High Business Impact, Easy to Implement
- High Business Impact, Difficult to Implement
- Low Business Impact, Easy to Implement
- Low Business Impact, Difficult to Implement

Observations & Action Plans -#1

Corporate Services – Finance – Purchasing Cards

**Needs
Improvement**



Observation

Monitoring of limit changes

The PCard system offered by the City's financial institution does not provide an audit trail of limit changes made, including the effective date of previous limit changes, and who authorized the changes.

Business Impact

A potential risk exists that Accounts Payable (AP) does not have the capability to properly monitor the appropriateness of limit changes made in the PCard system, as only the currently existing limits are presented. The PCard system does not allow for appropriate reporting to compensate for the current lack of segregation of duties within the PCard process.

Action Plan

It is recommended that a periodic audit is performed over limit changes, which would require a report of limit changes to be produced on a regular basis. A sample of limit changes should be verified against approved Maintenance Forms. The person responsible for this reporting should not have access to change limits.

It is also recommended that the City inquire with their financial institution regarding additional reporting capabilities surrounding limit changes.

Action Plan Lead

Manager of Accounts Payable

Timing

December 31, 2012

Observations & Action Plans -#2

Satisfactory



Corporate Services – Finance – Purchasing Cards

Observation

Compliance with purchasing card policy
Several instances of non-compliance with the PCard policies were noted including photocopies of receipts instead of originals and monthly receipt reconciliations not signed by the cardholders. There were no material or egregious breaches in compliance with the purchasing card policy detected in the sample reviewed.

Business Impact

A potential risk exists that costs are being incurred which do not comply with City policies.

Action Plan

It is recommended that site coordinators are periodically reminded that only original receipts are acceptable as proof of purchase and the cardholder must sign off on their monthly expense reconciliation.

It is also recommended that the City consider implementation of a periodic external audit of the PCard process in order to provide independent review and analysis.

Action Plan Lead

Manager of Accounts Payable

Timing

August 31, 2012 (Closed)

Observations & Action Plans -#3

Satisfactory



Corporate Services – Finance – Purchasing Cards

Observation

Purchasing cards with minimal activity

There are several PCards held by employees with very little to no activity.

Business Impact

A potential risk exists that there are PCards held by employees that do not have a business need to have possession of a PCard. Also, PCards which are rarely used are at risk of loss.

Action Plan

It is recommended that an annual audit process is implemented such that cards with minimal or no activity are reviewed and cancelled if applicable.

Action Plan Lead

Manager of Accounts Payable

Timing

December 31, 2012

Observations & Action Plans -#4

Satisfactory



Corporate Services – Finance – Purchasing Cards

Observation

Contracted vendor list

PCard holders are not directed to the list of contracted vendors to purchase from vendors who can provide the City the best value.

Business Impact

A potential risk exists that the City is missing out on volume purchase discount opportunities.

Action Plan

It is recommended that the City investigate opportunities to create agreements with additional vendors where purchases are frequently made to take advantage of volume purchase discounts available. The City should ensure the listing of contracted vendors is maintained, accessible and effectively communicated to cardholders. The City should amend the current Cardholder Acknowledgement Form to reference the existence of the contracted vendor list.

Action Plan Lead

Manager of Accounts Payable,
Manager of Purchasing & Supply, and
Deputy City Treasurer

Timing

December 31, 2012

Observations & Action Plans -#5

Corporate Services – Finance – Purchasing Cards

Satisfactory



Observation

Monitoring of instances of non-compliance

A formal record of incidences of non-compliance with the purchasing card policy is not maintained. This resulted in a repeat incident occurring without escalation in the response by AP.

Business Impact

A potential risk exists that the appropriate steps are not followed for repeat instances of non-compliance with policy. This may result in inappropriate costs charged to the City.

Action Plan

It is recommended that a formal list of instances of non-compliance is maintained. Each time an employee is identified as being non-compliant, the full history of his/her non-compliance should be reviewed to determine if the employee is a repeat offender.

Action Plan Lead

Manager of Accounts Payable

Timing

August 31, 2012 (Closed)

Observations & Action Plans -#6

Satisfactory



Corporate Services – Finance – Purchasing Cards

Observation

Limit change request form

The Maintenance Form required for permanent limit changes is not used for temporary limit changes, which are requested via email. The Maintenance Form does not prompt the user to note the effective date of the limit change.

Business Impact

A potential risk exists that information required to accurately update card limits such as effective dates, expiry dates, and original limits may not be accurately communicated to AP staff and, as a result, a PCard may exist with incorrect limits.

A potential risk also exists that a limit change may be made with an inappropriate effective date. This results in an unclear audit trail to show when the permanent change was authorized by the manager to take effect.

Action Plan

It is recommended that a structured request is required for temporary limit changes received via email. It is also recommended that the Maintenance Form used for permanent limit changes should be amended such that the requestor is required to state the effective date of the change and the original limit amount.

Action Plan Lead

Manager of Accounts Payable

Timing

August 31, 2012 (Closed)

2012 Internal Audit Projects in Progress

Service Area

Project

Stage

Corporate Services/Human Resources

Succession Planning

Planning



Higher risk






Moderate Risk



Lower Risk

2012 Internal Audit Schedule Going Forward

Service Area	Project	Timing		
		Sept	Oct	Nov
Corporate Services/Human Resources	Succession Planning			
Corporate Services/Finance	Expenditure approval and payment			
Corporate Services/Finance	Payroll			



Higher risk



Moderate Risk



Lower Risk

Internal Audit Scorecard – September 2012

		Key Measures	TARGET	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
CORPORATE STRATEGY	Audit Committee	Approval of annual risk-based audit plan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
		Number of reports presented to the Audit Committee	4	0	1	1	1	1	2	2	2	3
		Timely reporting of recommendations	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
		Estimated quantification of future cost savings		\$0	\$0	\$0	\$0	\$0	\$425K	\$425K	\$425K	\$435K
INTERNAL AUDIT STRATEGY	Management/Auditees	Number of closing meetings held with management	8	0	0	0	1	2	2	3	5	5
		Number of concise, value-added recommendations		0	0	0	0	0	16	16	16	37
INTERNAL AUDIT STRATEGY	Innovation/Capabilities	Number of best practices identified by internal audit		0	0	0	0	0	16	16	16	37
		Use of internal audit resources and processes	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Internal Audit Processes	Percentage of projects completed	63%	0%	0%	11%	12%	23%	43%	62%	63%	63%
		Completion of annual risk assessment and updates to audit plan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

Rating Scale – Status of Past Project Action Plans

Closed

All action plans have been addressed by the appointed Action Plan Lead.

On Track

All action plans targeted for completion have been addressed. Action Plan Leads are progressing well towards future action plan targets.

Some Delays

Some action plans targeted for completion have not been addressed. Action Plan Leads have revised some targets.

Not Addressed

Action plans targeted for completion have not been addressed by the appointed Action Plan Lead.

Status of Past Project Action Plans

Project	Status
Technology Services - Information Security Governance Assessment	Some Delays
Water & Sewage Revenue	Some Delays
Fleet Asset Management	Some Delays
Development Approvals	Some Delays
Municipal Housing Finance and Monitoring	On Track
Bid Process and Approved Consultants	On Track
Financial Management	On Track
Contract & Tendering Administration	On Track
Time Off Provisions	On Track

Appendix - Summary of Past Due Action Plans

Project	Status
Technology Services	Some of the IT governance action plans that were planned to be completed by December 31, 2012 have been delayed due to the reduction of IT management staff. Management is currently evaluating the impact of the changes. However, progress has been made, including the creation of a Corporate IT Steering Committee in the near future. Recommendations relating to IT General Controls in JD Edwards continue to be addressed through the ongoing upgrade and are on track for implementation.
Water & Sewage Revenue	Engineering has provided an update on the status of all action plans to Council as of December 19, 2011. The performance of many of these action plans will be resolved subsequent to the water and sewer rate review scheduled for October 2012.
Fleet Asset Management	Management has deferred the timing of two recommendations relating to outsourced maintenance and work order process controls to a future improvement stage including system developments from the new JD Edwards release. All other recommendations have been at least partially addressed and management continues to focus on implementing recommendations, including those requiring assistance from Stores, Financial Planning & Policy and support from TSD. The status of the action plans is considered reasonable given recent staffing changes in the division, financial challenges and the complexity of the issues.
Development Approvals	The performance of many of these action plans will be resolved subsequent to the Development Charge study to be finalized in 2014. Progress towards completing the recommendations has been made by re-assigning the Development Finance division to report to the City Treasurer in April of 2012. Efforts have been made towards improving succession planning.

Appendix - 2012 Project Descriptions

The work performed in each project will be focused on controls relating to the following:

Project	Key Focus
<i>Community Services: Financial management</i>	- accuracy of financial reporting for those entities which are maintained on separate accounting systems
<i>Engineering: Contract & Tendering Administration</i>	- consistent execution and documentation of the project tendering/bid process - consistency in the development of business cases supporting the use of City funds - monitoring of the utilization of warranty clauses for re-work claims
<i>Development and Compliance Services: Building Control</i>	- review of building code approvals with respect to applicable regulations - compliance with document retention policies
<i>Parks & Recreation: Health & Safety</i>	- compliance and ongoing monitoring of safety training requirements for staff members with respect to regulatory standards - compliance and ongoing monitoring of safety standards at a sample of parks and recreational locations
<i>Financial Systems Control: Credit cards</i>	- review and approval of expenditures processed through corporate credits cards for validity and compliance with the purchasing policy
<i>Financial Systems Control: Payroll</i>	- controls surrounding the accuracy and validity of payroll hours, rate changes, new hires, terminations and relocations - controls surrounding proper segregation of duties and maintenance of documentation
<i>Financial Systems Control: Expenditure approval and payment</i>	- approval of fund disbursements, whether through cheque payment, electronic funds transfer or cash, in line with the purchasing policy and in accordance with terms of original contracts
<i>Human Resources: Succession planning</i>	- planning for future staffing needs and changes - review plans for training, reorganizing and redefining roles

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2012 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.