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<b>TO:</b>	<b>CHAIR AND MEMBERS AUDIT COMMITTEE MEETING ON JANUARY 31, 2013</b>
<b>FROM:</b>	<b>PwC INTERNAL AUDITORS</b>
<b>SUBJECT:</b>	<b>Quarterly Report on Internal Audit Results a) Human Resources - Succession Planning</b>

<b>RECOMMENDATION</b>
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That on the recommendation of PwC, this report **BE RECEIVED** for information and the action plans identified in Appendices A and B **BE RECOMMENDED** for approval.

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

<b>BACKGROUND</b>
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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 project:

- Human Resources - Succession Planning

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 B.

<b>RECOMMENDED BY:</b>
<b>PwC INTERNAL AUDITORS</b>

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## APPENDIX A – Human Resources - Succession Planning

### Summary of Risks & Scope

#### *Human Resources - Succession Planning*

##### **Scope**

- Identification, analysis and documentation of critical positions at the Corporation
- Identification of talent pool at the Corporation
- Forecasting future staffing needs for critical positions
- Training and development of talent pool
- Retention of talent pool and incumbents of critical positions

##### **Risks**

- Exposure to operational risks and loss of critical knowledge in the event of unplanned departures from critical positions
- Loss of information pertaining to the succession planning program and members of the talent pool
- Inaccurate and outdated critical position retirement forecasts
- Members of the talent pool lacking the skills necessary to potentially fulfill critical positions in the future

##### **Controls Operating Effectively**

- Adequate documentation and review of the roles and responsibilities of critical positions is performed
- Human Resources has begun to analyze the behavioral trends of recent employee retirements and incorporate its findings into the assumptions used to prepare the Corporate Retirement Forecast Report
- High-impact potential departures from critical positions have been identified and supported by action plans
- Retention incentive programs exist and are monitored for success against pre-defined KPIs

##### **Value-for-Money Considerations**

- Filling critical positions internally could result in saved time and money that might otherwise be spent on external recruitment efforts
- Developing the skills of the talent pool could facilitate smoother transitions into critical positions, thereby reducing the need for consulting services arrangements with recent retirees from those positions

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## Observations & Action Plans

### **#1: Identification and documentation of critical positions**

**Observation:**

Identification of critical positions within the Corporation is substantially complete. HR plans to identify the remaining critical positions by December 2012 through consultation with managing directors in the Corporation. HR plans to document the complete list of critical positions by December 2012, retain the list with other documentation relating to the succession planning program, and communicate the list to appropriate personnel. As new positions within the Corporation are created, they will be evaluated to determine whether they should be added to the list of critical positions. Additionally, HR intends to review the list of critical positions annually to assess whether they are still considered to be critical in nature to the Corporation.

**Business Impact:**

Failure to identify, document, retain, and regularly update critical positions within the Corporation could lead to ineffective and inefficient succession planning, which could result in operational risks to the Corporation and loss of critical knowledge in the event of unplanned departures from critical positions.

**Action Plan:**

It is recommended that HR continue with its work and follow-through with its plans for the identification, documentation and appropriate communication of the remaining critical positions, along with its annual review and maintenance of this list of critical positions.

**Action Plan Lead:**

Chief Human Resources Officer

**Timing:**

December 2012

### **#2: Identification and documentation of talent pool**

**Observation:**

Members of the talent pool have been aligned with most of the critical positions that have been identified thus far. HR intends to formally identify and document the members of the talent pool for the remaining critical positions by April 2013 and retain this information with other succession planning program documentation, restricted to use and viewing by authorized personnel only. Additionally, HR intends to review the members of the talent pool at least annually to assess whether the talent pool is still appropriate.

**Business Impact:**

Failure to maintain formal and current documentation regarding members of the talent pool as it relates to succession planning increases the risk of loss of this information. Failure to retain this information in a centralized location inhibits the ability to readily retrieve it when needed.

**Action Plan:**

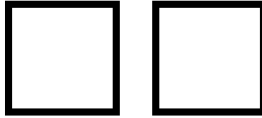
It is recommended that HR, in conjunction with management, follow-through with its plans to document, regularly update, and retain a list of members of the talent pool as it pertains to succession planning for critical positions, along with other succession planning program documentation.

**Action Plan Lead:**

Manager, Employee and Client Relations

**Timing:**

April 2013



**#3: Discussion and documentation of talent pool’s career goals and aspirations**

**Observation:**

Discussions surrounding career goals and aspirations with the talent pool, as they pertain to succession planning, are not always formally documented, maintained and retained in a centralized location by the Corporation.

**Business Impact:**

Failure to document and regularly maintain information relating to the career goals and aspirations of the talent pool as it pertains to succession planning could result in missed opportunities for the talent pool and misguided “career pathing”. Additionally, failure to retain this information in a centralized location inhibits the ability to readily retrieve it when needed.

**Action Plan:**

It is recommended that HR, in conjunction with management, formalize the Career Pathing Program for members of the talent pool as it pertains to succession planning. In doing so, it is recommended that information relating to the career goals and aspirations of the talent pool be documented, regularly updated, and retained with other succession planning program documentation.

**Action Plan Lead:**

Manager, Corporate Training

**Timing:**

June 2013

**#4: Forecasting future workforce needs**

**Observation:**

The Corporate Retirement Forecast Report is prepared when significant events occur or marked workforce behavioral trends are noted in the Corporation or its environment. Historically, it has been prepared approximately every 5 years.

**Business Impact:**

Failure to update the Corporate Retirement Forecast Report on a regular basis could result in timing errors of projections of future critical position retirements, thereby exposing the Corporation to operational risk and loss of critical knowledge in the event of an unplanned departure.

**Action Plan:**

It is recommended that the Corporate Retirement Forecast Report continue to be prepared at least once every 5 years. It is also recommended that in any years when a full forecast is not prepared, the forecast be updated at least for actual retirements and new eligible retirements for incumbents of critical positions and members of the talent pool.

**Action Plan Lead:**

Manager, Rewards & Recognition

**Timing:**

December 2013



**#5: Review of forecasting assumptions**

**Observation:**

Review of forecasting assumptions occurs when the Corporate Retirement Forecast Report is prepared. HR has begun to analyze the behavioral trends of recent employee retirements and incorporate its findings into the assumptions used to prepare the Corporate Retirement Forecast Report.

**Business Impact:**

Failure to review forecasting assumptions on a regular basis could result in less accurate projections of future critical position retirements, thereby exposing the Corporation to operational risk and loss of critical knowledge in the event of an unplanned departure.

**Action Plan:**

It is recommended that HR continue to analyze behavioral trends of recent employee retirements and incorporate its findings into the development of forecast assumptions. It is recommended that HR monitor actual vs. forecasted retirements on an annual basis to assess whether forecasting assumptions of behavioral trends are still valid and whether variances necessitate the preparation of a new Corporate Retirement Forecast Report.

**Action Plan Lead:**

Manager, Rewards & Recognition

**Timing:**

December 2013

**#6: Forecasted retirement data**

**Observation:**

On an annual basis, HR prepares a 5-year mathematical projection of future management retirements as part of the budgeting process. The projections are based on the actual number of retirements as a proportion of total eligible retirements in the prior year.

**Business Impact:**

As the mathematical projection of future management retirements is based solely on the most recent year's retirement data, it may not be accurately predictive of future years' retirements of critical positions. This could result in decisions being made based on incomplete information, thereby exposing the Corporation to operational risk.

**Action Plan:**

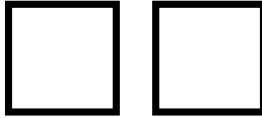
It is recommended that HR supplement the 5-year mathematical projection to include all projected retirements per the Corporate Retirement Forecast Report for the purposes of workforce planning.

**Action Plan Lead:**

Manager, Rewards & Recognition

**Timing:**

June 2013



**#7: Training and development of talent pool**

**Observation:**

Members of management identify professional and personal developmental activities within their Individual Work and Development plans. Individualized development and training plans designed to prepare members of the talent pool to potentially fulfill critical positions in the future have not been formalized for all members.

**Business Impact:**

Failure to identify and implement individualized development and training plans for the talent pool, as it relates to succession planning, could result in members of the talent pool lacking the skills necessary to potentially fulfill critical positions in the future.

**Action Plan:**

It is recommended that management, in consultation with HR, ensure all members of the talent pool are provided with individualized training and developmental opportunities designed to prepare them to potentially fulfill critical positions in the future.

**Action Plan Lead:**

Manager, Corporate Training

**Timing:**

June 2013

**#8: Monitoring the success of training and development opportunities of the talent pool**

**Observation:**

The success of training and developmental opportunities and the progress of members of the talent pool against their individual training and development plans is currently not monitored by management and HR.

**Business Impact:**

Failure to monitor the effectiveness of training and developmental opportunities would not provide evidence as to whether these opportunities are achieving their intended result. Additionally, failure to monitor whether members of the talent pool are applying the skills and knowledge or demonstrating behaviors expected could result in continued investment in candidates who are not suitable to remain in the talent pool.

**Action Plan:**

It is recommended that HR, in consultation with management, monitor the success of training and developmental opportunities and the progress of members of the talent pool against their individual training and development plans in accordance with succession planning objectives.

**Action Plan Lead:**

Manager, Corporate Training

**Timing:**

June 2014

Appendix B - Quarterly Report on Internal Audit Results

[www.pwc.com/ca](http://www.pwc.com/ca)

# *The Corporation of the City of London*

## Quarterly Report on Internal Audit Results

- Human Resources - Succession Planning

January 31, 2013

**pwc**



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# *Agenda*

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## ***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



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# ***Human Resources – Succession Planning***

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## ***Glossary***

**Succession planning:** An integrated, systematic process of identifying, developing and retaining existing employees who have the potential to fill critical positions which become vacant across the Corporation of the City of London (“the Corporation” or “the City”).

**Talent pool:** Employees formally identified and being developed to potentially fill critical positions within the Corporation as they become available.

**Critical position:** A job vital to the Corporation’s operation, which if vacant for an extended period would leave the Corporation vulnerable.

**Career Pathing Program:** A program which provides support to employees in identifying career plans within the Corporation and developing their skills to fulfill them (available through Human Resources (“HR”) in 2013).

**Corporate Retirement Forecast Report:** A detailed analysis of the number of eligible unreduced retirements for the Corporation’s current workforce over a defined period of time. The report includes areas where there may be a significant number of potential retirements and may used for future organizational design, succession planning and mentorship opportunities.

# ***Summary of Risks & Scope***

## ***Human Resources – Succession Planning***

### **Scope**

- Identification, analysis and documentation of critical positions at the Corporation
- Identification of talent pool at the Corporation
- Forecasting future staffing needs for critical positions
- Training and development of talent pool
- Retention of talent pool and incumbents of critical positions

### **Risks**

- Exposure to operational risks and loss of critical knowledge in the event of unplanned departures from critical positions
- Loss of information pertaining to the succession planning program and members of the talent pool
- Inaccurate and outdated critical position retirement forecasts
- Members of the talent pool lacking the skills necessary to potentially fulfill critical positions in the future

### **Controls Operating Effectively**

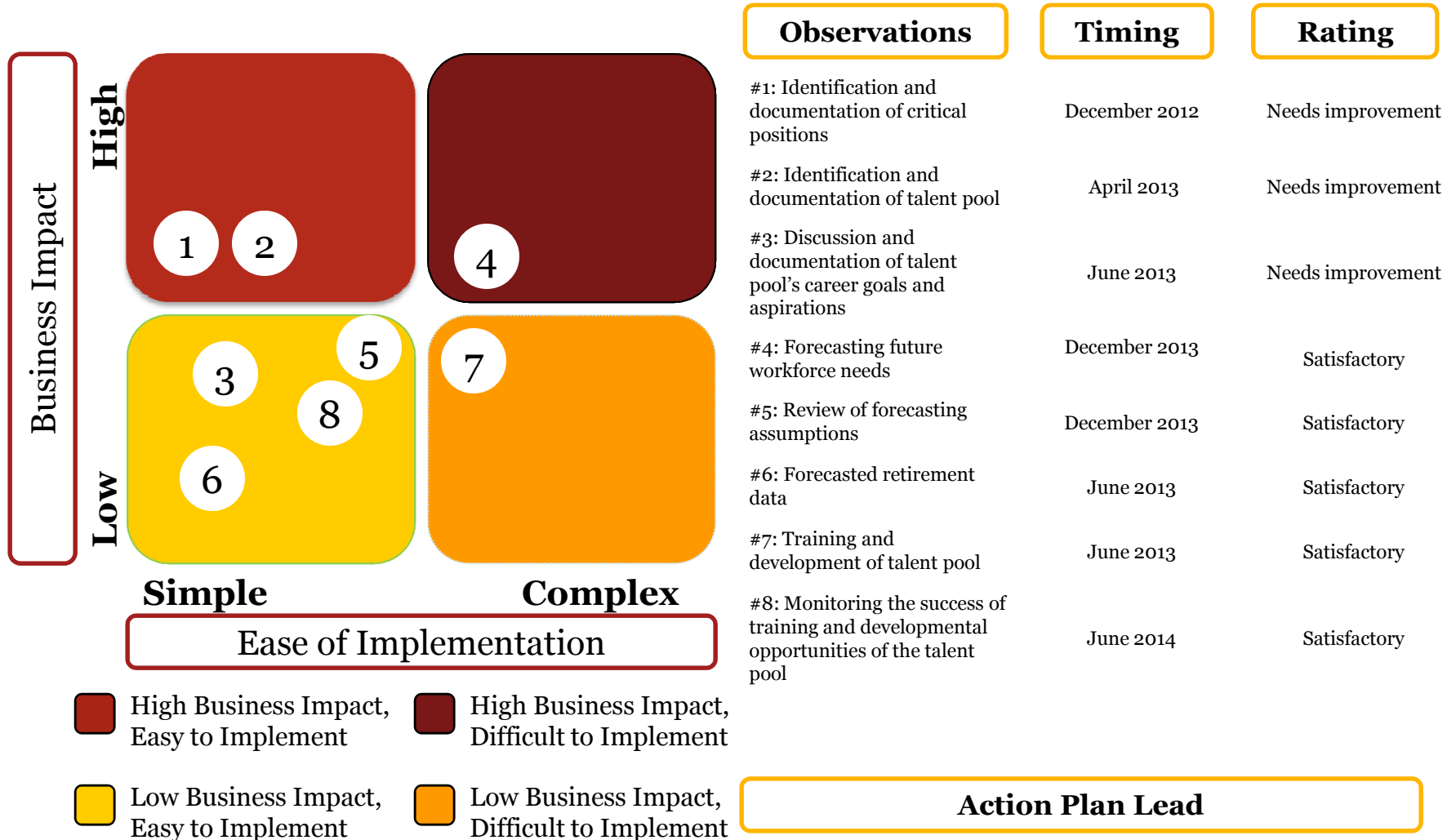
- Adequate documentation and review of the roles and responsibilities of critical positions is performed
- Human Resources has begun to analyze the behavioral trends of recent employee retirements and incorporate its findings into the assumptions used to prepare the Corporate Retirement Forecast Report
- High-impact potential departures from critical positions have been identified and supported by action plans
- Retention incentive programs exist and are monitored for success against pre-defined KPIs

### **Value-for-Money Considerations**

- Filling critical positions internally could result in saved time and money that might otherwise be spent on external recruitment efforts
- Developing the skills of the talent pool could facilitate smoother transitions into critical positions, thereby reducing the need for consulting services arrangements with recent retirees from those positions

# Action Plan Summary

## Human Resources – Succession Planning



**Action Plan Lead**

Various Management of Human Resources

# **Observations & Action Plans -#1**

## **Human Resources – Succession Planning**

**Needs  
Improvement**



### **Observation**

#### **Identification and documentation of critical positions**

Identification of critical positions within the Corporation is substantially complete. HR plans to identify the remaining critical positions by December 2012 through consultation with managing directors in the Corporation. HR plans to document the complete list of critical positions by December 2012, retain the list with other documentation relating to the succession planning program, and communicate the list to appropriate personnel. As new positions within the Corporation are created, they will be evaluated to determine whether they should be added to the list of critical positions. Additionally, HR intends to review the list of critical positions annually to assess whether they are still considered to be critical in nature to the Corporation.

### **Business Impact**

Failure to identify, document, retain, and regularly update critical positions within the Corporation could lead to ineffective and inefficient succession planning, which could result in operational risks to the Corporation and loss of critical knowledge in the event of unplanned departures from critical positions.

### **Action Plan**

It is recommended that HR continue with its work and follow-through with its plans for the identification, documentation and appropriate communication of the remaining critical positions, along with its annual review and maintenance of this list of critical positions.

### **Action Plan Lead**

Chief Human Resources Officer

### **Timing**

December 2012

## ***Observations & Action Plans -#2*** ***Human Resources – Succession Planning***

**Needs  
Improvement**



### **Observation**

#### **Identification and documentation of talent pool**

Members of the talent pool have been aligned with most of the critical positions that have been identified thus far. HR intends to formally identify and document the members of the talent pool for the remaining critical positions by April 2013 and retain this information with other succession planning program documentation, restricted to use and viewing by authorized personnel only. Additionally, HR intends to review the members of the talent pool at least annually to assess whether the talent pool is still appropriate.

### **Business Impact**

Failure to maintain formal and current documentation regarding members of the talent pool as it relates to succession planning increases the risk of loss of this information. Failure to retain this information in a centralized location inhibits the ability to readily retrieve it when needed.

### **Action Plan**

It is recommended that HR, in conjunction with management, follow-through with its plans to document, regularly update, and retain a list of members of the talent pool as it pertains to succession planning for critical positions, along with other succession planning program documentation.

### **Action Plan Lead**

Manager, Employee and Client  
Relations

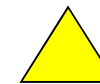
### **Timing**

April 2013



## ***Observations & Action Plans -#3*** ***Human Resources – Succession Planning***

**Needs  
Improvement**



### **Observation**

#### **Discussion and documentation of talent pool's career goals and aspirations**

Discussions surrounding career goals and aspirations with the talent pool, as they pertain to succession planning, are not always formally documented, maintained and retained in a centralized location by the Corporation.

### **Business Impact**

Failure to document and regularly maintain information relating to the career goals and aspirations of the talent pool as it pertains to succession planning could result in missed opportunities for the talent pool and misguided “career pathing”. Additionally, failure to retain this information in a centralized location inhibits the ability to readily retrieve it when needed.

### **Action Plan**

It is recommended that HR, in conjunction with management, formalize the Career Pathing Program for members of the talent pool as it pertains to succession planning. In doing so, it is recommended that information relating to the career goals and aspirations of the talent pool be documented, regularly updated, and retained with other succession planning program documentation.

### **Action Plan Lead**

Manager, Corporate Training

### **Timing**

June 2013

# ***Observations & Action Plans -#4***

## ***Human Resources – Succession Planning***

**Satisfactory**



### **Observation**

#### **Forecasting future workforce needs**

The Corporate Retirement Forecast Report is prepared when significant events occur or marked workforce behavioral trends are noted in the Corporation or its environment. Historically, it has been prepared approximately every 5 years.

### **Business Impact**

Failure to update the Corporate Retirement Forecast Report on a regular basis could result in timing errors of projections of future critical position retirements, thereby exposing the Corporation to operational risk and loss of critical knowledge in the event of an unplanned departure.

### **Action Plan**

It is recommended that the Corporate Retirement Forecast Report continue to be prepared at least once every 5 years. It is also recommended that in any years when a full forecast is not prepared, the forecast be updated at least for actual retirements and new eligible retirements for incumbents of critical positions and members of the talent pool.

### **Action Plan Lead**

Manager, Rewards & Recognition

### **Timing**

December 2013

# ***Observations & Action Plans -#5***

## ***Human Resources – Succession Planning***

**Satisfactory**



### **Observation**

#### **Review of forecasting assumptions**

Review of forecasting assumptions occurs when the Corporate Retirement Forecast Report is prepared. HR has begun to analyze the behavioral trends of recent employee retirements and incorporate its findings into the assumptions used to prepare the Corporate Retirement Forecast Report.

### **Business Impact**

Failure to review forecasting assumptions on a regular basis could result in less accurate projections of future critical position retirements, thereby exposing the Corporation to operational risk and loss of critical knowledge in the event of an unplanned departure.

### **Action Plan**

It is recommended that HR continue to analyze behavioral trends of recent employee retirements and incorporate its findings into the development of forecast assumptions. It is recommended that HR monitor actual vs. forecasted retirements on an annual basis to assess whether forecasting assumptions of behavioral trends are still valid and whether variances necessitate the preparation of a new Corporate Retirement Forecast Report.

### **Action Plan Lead**

Manager, Rewards & Recognition

### **Timing**

December 2013

# ***Observations & Action Plans -#6***

## ***Human Resources – Succession Planning***

**Satisfactory**



### **Observation**

#### **Forecasted retirement data**

On an annual basis, HR prepares a 5-year mathematical projection of future management retirements as part of the budgeting process. The projections are based on the actual number of retirements as a proportion of total eligible retirements in the prior year.

### **Business Impact**

As the mathematical projection of future management retirements is based solely on the most recent year's retirement data, it may not be accurately predictive of future years' retirements of critical positions. This could result in decisions being made based on incomplete information, thereby exposing the Corporation to operational risk.

### **Action Plan**

It is recommended that HR supplement the 5-year mathematical projection to include all projected retirements per the Corporate Retirement Forecast Report for the purposes of workforce planning.

### **Action Plan Lead**

Manager, Rewards & Recognition

### **Timing**

June 2013

## ***Observations & Action Plans -#7*** ***Human Resources – Succession Planning***

**Satisfactory**



### **Observation**

#### **Training and development of talent pool**

Members of management identify professional and personal developmental activities within their Individual Work and Development plans. Individualized development and training plans designed to prepare members of the talent pool to potentially fulfill critical positions in the future have not been formalized for all members.

### **Business Impact**

Failure to identify and implement individualized development and training plans for the talent pool, as it relates to succession planning, could result in members of the talent pool lacking the skills necessary to potentially fulfill critical positions in the future.

### **Action Plan**

It is recommended that management, in consultation with HR, ensure all members of the talent pool are provided with individualized training and developmental opportunities designed to prepare them to potentially fulfill critical positions in the future.

### **Action Plan Lead**

Manager, Corporate Training

### **Timing**

June 2013

# ***Observations & Action Plans -#8***

## ***Human Resources – Succession Planning***

**Satisfactory**



### **Observation**

#### **Monitoring the success of training and developmental opportunities of the talent pool**

The success of training and developmental opportunities and the progress of members of the talent pool against their individual training and development plans is currently not monitored by management and HR.

### **Business Impact**

Failure to monitor the effectiveness of training and developmental opportunities would not provide evidence as to whether these opportunities are achieving their intended result. Additionally, failure to monitor whether members of the talent pool are applying the skills and knowledge or demonstrating behaviors expected could result in continued investment in candidates who are not suitable to remain in the talent pool.

### **Action Plan**

It is recommended that HR, in consultation with management, monitor the success of training and developmental opportunities and the progress of members of the talent pool against their individual training and development plans in accordance with succession planning objectives.

### **Action Plan Lead**

Manager, Corporate Training

### **Timing**

June 2014

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