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TO:	CHAIR AND MEMBERS AUDIT COMMITTEE MEETING ON JUNE 27, 2013
FROM:	PwC INTERNAL AUDITORS
SUBJECT:	Quarterly Report on Internal Audit Results a) Planning - Urban Forestry and Planning Application Processes b) Corporate Services/Finance - Budgeting Process

RECOMMENDATION

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

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

Risk Assessment and 2013 Risk-Based Audit Plan - Audit Committee January 31, 2013

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 project:

- Planning - Urban Forestry and Planning Application Processes
- Corporate Services/Finance - Budgeting Process

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 C.

RECOMMENDED BY:
PwC INTERNAL AUDITORS

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APPENDIX A – Planning - Urban Forestry and Planning Application Processes

Summary of Risks & Scope

Planning - Urban Forestry and Planning Application Process

Scope

- Official Plan amendment process
- Zoning By-Law amendment process
- Planning application fee structure
- Tree Conservation By-law processes
- Boulevard Tree By-law processes
- Effectiveness of Urban Forestry Section restructuring
- Urban Forestry information system

Risks

- Official Plan amendments or Zoning By-Law amendments may not be in compliance with policy
- Tree Conservation By-law and Boulevard Tree By-law applications may not be in compliance with policy
- Opportunities may exist to increase efficiencies as a result of the recent restructuring of the Urban Forestry Section
- The Urban Forestry information system may not meet the needs of users

Controls Operating Effectively

- Official Plan and Zoning By-Law amendments are processed in accordance with policy and meet the legislated timelines required for these application approvals.
- The Urban Forestry Section has successfully increased the focus put towards the health of the City's trees as a result of the recent restructuring which established the Urban Forestry Section within the Planning Service Area.

Value-for-Money Considerations

- Several observations noted in this report provide opportunities to increase planning revenues and further improve the urban forestry processes. These savings are estimated to be approximately \$35,000 to \$95,000.

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Observations & Action Plans

#1: Opportunity to improve prioritization and direction within the Urban Forestry Section

Observation:

The Urban Forestry Section has a clear work program that is developed in conjunction with staff members. However, there is a need for tasks and commitments of the Urban Forestry Section to be more clearly prioritized in order to give focus and direction for the staff members. This prioritization and direction should be an ongoing process. The current organizational structure may be contributing to this observation.

For example, it is unclear how to prioritize which site plans the Urban Forestry Section should review for urban forestry purposes if there is insufficient capacity to review all site plans.

It is also unclear whether staff members are allocating an appropriate amount of time towards volunteer events, committees and other meetings instead of other potentially higher-priority items.

Business Impact:

A potential risk exists that staff members are not focusing their time on high priority tasks which contribute to the overall strategy of the section. This may also result in an inefficient use of staff time.

Action Plan:

- 1) It is recommended that management clearly document and monitor its priorities for the Urban Forestry Section. This direction should be communicated to the staff members and regularly monitored to support the section reaching its strategic goals.
- 2) It is recommended that the Urban Forestry Section reassess and prioritize their current involvement with other divisions to ensure that they are involved in all necessary areas and decisions that impact the health and protection of the City's urban forest.
- 3) It is recommended that the section considers the ability to reallocate tasks of an administrative nature to an administrative clerk role to assist in prioritizing staff time.
- 4) Finally, it is recommended that the current organizational structure of the Urban Forestry Section be reassessed.

Action Plan Lead:

Manager, Urban Forestry and City Planner

Timing:

September 30, 2013

#2: Administration of Tree Conservation By-law

Observation:

Some existing permits issued in the best interest of the health of the City's trees contradict the Tree Conservation By-law (TCB). There are sections of the TCB which are difficult to implement.

Business Impact:

A potential risk exists that permits relating to maintenance of dangerous trees and regular maintenance of trees on open space or environmental review zoned land are difficult to obtain and may impact the health of the City's trees.

Action Plan:

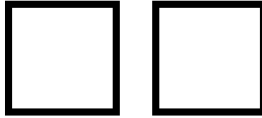
It is recommended that management continue the process of reviewing and amending the Tree Conservation By-law as required. It is also recommended that permits are approved strictly in accordance with the TCB going forward. Finally, it is also recommended that management consider re-allocating the by-law enforcement function.

Action Plan Lead:

Manager, Urban Forestry and City Planner

Timing:

October 31, 2013



#3: Tree Conservation By-law processes

Observation:

The current TCB process is unclear as it relates to internal processing of these permits as well as for the public initiating these requests. Staff have identified this issue and have mapped out the process, analyzed where there are problems, and are developing alternatives to improve the process. They are doing this concurrently with the review of the TCB to evaluate how that document also needs to be improved.

Business Impact:

A potential risk exists that the City may not meet the 45 days requirement for processing permits under the TCB. A potential risk also exists that the appropriate documentation is not maintained and staff time is not efficiently used.

Action Plan:

- 1) It is recommended that a clear process should be developed and documented, both internally and for the public to initiate a permit.
- 2) It is recommended that the consultation with the permit applicant occurs at the start of the permit process, to ensure the application is complete with all necessary documentation and the permit is processed in an efficient manner.
- 3) It is recommended that the Urban Forestry Section implement filing and tracking procedures for permits using the Amanda system.
- 4) It is recommended that an emergency permit procedure be established in order to expedite the maintenance and /or removal of damaged and dangerous trees.

Action Plan Lead:

Manager, Urban Forestry and City Planner

Timing:

December 31, 2013

#4: Administration of the Boulevard Tree By-law

Observation:

Existing permits for the removal of boulevard trees may contradict the Boulevard Tree By-law. When violations are noted, a consensual tree removal invoice is issued after the tree removal has occurred instead of issuing a ticket for non-compliance. Staff have identified this issue and are in the process of investigating required amendments to the process and by-law. The existing Boulevard Tree By-law also creates barriers for those citizens who wish to plant their own boulevard trees.

Business Impact:

A potential risk also exists that proceeds from permits are not utilized in accordance with City policy. Ticket fee revenue should be received and contributed to general City reserves instead of permit fees received and retained within Urban Forestry Operations.

Action Plan:

- 1) It is recommended that Urban Forestry Section staff continue the process of reviewing and amending the Boulevard Tree By-law, as required. This includes amending the By-law such that it is made more flexible for those citizens wishing to plant their own trees. This may include creating an approved vendor/tree listing.
- 2) It is also recommended that permits and tickets are issued strictly in accordance with the by-law.
- 3) Finally, it is recommended that management consider re-allocating the by-law enforcement function.

Action Plan Lead:

Manager, Urban Forestry and City Planner

Timing:

December 31, 2013



#5: Budgeting

Observation:

Based on the results of the recent urban forestry restructuring, the Urban Forestry Section is currently funding certain positions through the Urban Forestry capital budget rather than the operating budget.

Business Impact:

A potential risk exists that there may be insufficient capital budget funds to cover these expenditures in future years, impacting the Urban Forestry Section's operating budget.

Action Plan:

It is recommended that management prepare a business case to bring certain position being funded through the capital budget, into the operating budget.

Action Plan Lead:

City Planner

Timing:

September 30, 2013

#6: Forestry information system

Observation:

The current forestry information system used by the Urban Forestry Section and Urban Forestry Operations to track the species and condition of trees on public property does not adequately meet the needs of the users as report generation capabilities are limited and do not allow for priority-based reporting. The system also contains out-dated information due to the necessity to input information manually. Finally, an opportunity exists to improve the accuracy of the information maintained in the system going forward by integrating GPS technology. Progress in upgrading this system has been stalled by Information Technology Services capacity issues.

Business Impact:

A potential risk exists that without priority-based reporting capabilities, the Urban Forestry Section may not be able to effectively evaluate key metrics and make strategic forestry decisions. In addition, an inaccurate tree inventory system which requires significant manual inputs may result in an inefficient use of resources, and an inability to easily locate trees for maintenance purposes.

Action Plan:

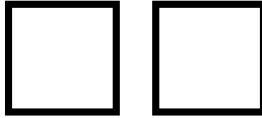
It is recommended that the City use the investigation performed to date to expedite the process of developing and implementing a forestry information system which would incorporate priority-based reporting capabilities. The City should also consider incorporating GPS technology to improve accuracy.

Action Plan Lead:

Division Manager, Transportation
and Roadside Operations

Timing:

June 30, 2014



#7: Planting strategy

Observation:

A formalized tree planting strategy does not exist and is therefore not available to be communicated to Urban Forestry Operations which is responsible for administering the third party tree planting contract.

Business Impact:

A potential risk exists that Urban Forestry Operations is planting trees that are not in line with the Urban Forestry Section's strategy and guidance. This may result in trees planted which are not in the best interest of the City's urban forest.

Action Plan:

It is recommended that the Urban Forestry Section develop a tree planting strategy which would indicate the ideal species of trees to be planted in various areas of the City (i.e. boulevards, woodlands, areas with hydro lines). The plan should be reassessed annually based on the current condition of the City's urban forests, and communicated to Urban Forestry Operations. The development of this planting strategy will follow the upcoming Urban Forestry Strategy to be issued by a third party consultant.

Action Plan Lead:

Manager, Urban Forestry and City Planner

Timing:

Within 6 months of the release of the Urban Forestry Strategy

#8: Service level agreement

Observation:

The service level agreement is an innovative approach that has been developed to clarify the roles between the Urban Forestry Section and Urban Forestry Operations subsequent to the restructuring of urban forestry roles. However, this service level agreement is not up to date with current practices. The agreement also does not include the level of detail required to outline the specific tasks performed by each group for the sub-processes listed.

Business Impact:

A potential risk exists that tasks could be duplicated, resulting in inefficient use of staff time. A potential risk also exists that a required task is not being performed by either group.

Action Plan:

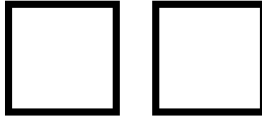
It is recommended that the service level agreement is reassessed and updated to ensure that tasks are allocated in the most efficient manner and reflective of actual practices.

Action Plan Lead:

Division Manager, Transportation and Roadside Operations
Manager, Urban Forestry

Timing:

August 31, 2013



#9: Follow-up for tree protection recommendations

Observation:

Urban Forestry Section staff do not perform site visits as follow-up to providing tree protection recommendations to other departments. These recommendations may be provided in conjunction with an approved site plan.

Business Impact:

A potential risk exists that tree protection recommendations provided by the Urban Forestry Section are not being adhered to, resulting in the potential inefficient use of staff time spent developing these recommendations. A potential risk also exists that trees are not being protected in accordance with guidance provided by the Urban Forestry Section.

Action Plan:

It is recommended that management explore opportunities to determine how this follow-up function could be performed, to ensure that tree protection recommendations are implemented in a satisfactory manner. If this task were to be assigned to Development Services staff, guidance on how to perform this assessment would be required.

Action Plan Lead:

Manager, Urban Forestry and City Planner

Timing:

December 31, 2013

#10: Application fees

Observation:

An opportunity exists for the City to increase their planning application fees (including Official Plan Amendment and Zoning By-law Amendment fees) closer to those charged by comparable municipalities in Ontario.

If planning application fees were increased by 20%, based on the number of applications received in 2012, fee revenue would increase by approximately \$35,000.

For example, Official Plan Amendment fees could be raised by approximately 50% to be in line with the average of fees charged by the cities of Windsor, Sarnia and Hamilton.

Business Impact:

A potential risk exists that the City of London is undercharging for the planning application process. However, it is noted that such an increase may have impacts on the ability for the City to attract future development.

Action Plan:

It is recommended that management perform a cost-benefit analysis to determine whether application fee rates should be modified.

Action Plan Lead:

Manager, Community Planning & Urban Design

Timing:

December 31, 2013

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#11: Application process checklist

Observation:

An opportunity exists to further increase consistencies in the documents maintained by planners to support the processing of Official Plan Amendments and Zoning By-law Amendments.

Business Impact:

A potential risk exists that a document may be missed when compiling application files. A potential risk also exists that staff time, including review time, is spent inefficiently if application files are not organized in a consistent manner.

Action Plan:

It is recommended that management create a checklist for all application files outlining the documents required. This checklist should be reviewed and initialed by the planner as well as the reviewers prior to submission to Council.

Finally, this checklist should outline the parties that are required to be communicated with or notified in relation to the pending Official Plan or Zoning By-law change. The checklist should prioritize which responses are needed prior to report creation.

Action Plan Lead:

Manager, Planning Review

Timing:

September 30, 2013

#12: Official Plan Amendment and Zoning By-law Amendment reporting

Observation:

The final application reports submitted to the Planning Committee and Council vary in structure, length and contain some repetitive information.

Business Impact:

A potential risk exists that reports are not consistent or may result in inefficient use of staff and senior leadership time.

Action Plan:

It is recommended that the final application report template be updated and approved by the City Clerk's Office in order to minimize length and improve consistency in reporting.

Action Plan Lead:

Manager, Community Planning & Urban Design

Timing:

December 31, 2013

Agenda Item # Page #

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#12: Application process mapping

Observation:

Our review shows that planning applications are processed expeditiously within an efficient and effective process. An opportunity exists to update the current application process mapping document. This document has not been distributed to all planners.

Business Impact:

A potential risk exists that the application process is not adhered to, which may impact the Planning Service Area's ability to meet the legislated maximum timelines under the Planning Act. A potential risk also exists that staff time is not used efficiently.

Action Plan:

It is recommended that the application process mapping is updated according to current business practices and requirements under the Planning Act. This document should be provided to all planning staff involved in the planning application process and integrated into training of new planners. Finally, this document should be reviewed annually to ensure the process is in compliance with the Planning Act in contemplation of any recent amendments.

Action Plan Lead:

Manager, Planning Review

Timing:

December 31, 2013

#14: See Confidential Appendix to the Report

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APPENDIX B – Corporate Services/Finance - Budgeting Process

Summary of Risks & Scope

Corporate Services/Finance - Budgeting Process

Risks

- Budgeting model and budgeting approach
- Budget creation and data collection
- Budget consolidation and review
- Budget approval process
- Performance monitoring
- Debt system management

Risks

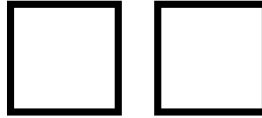
- The budgeting model may not allow for optimal financial planning
- Data collected may not be accurate, or prepared by individuals with an appropriate level of knowledge
- Budgets may not be appropriately reviewed and approved
- Insufficient performance monitoring could result in sub-optimal financial planning
- An inadequate debt management system may impact the City's credit rating

Controls Operating Effectively

- Budgets are created and reviewed by individuals with an appropriate level of knowledge and expertise.
- Budgets are reviewed and approved in accordance with City policies.
- The budgeting process has been successfully centralized within Financial Planning & Policy.

Value-for-Money Considerations

- The recommendation to consider the feasibility of implementing a value-based budgeting methodology may result in the identification of additional cost savings.
- Several observations noted in this report provide opportunities to further streamline the budgeting process and utilize staff time more efficiently.



#1: Antiquated debt system

Observation:

The existing debt system has limited functionality as it cannot perform basic debt calculations, forecast or track unissued debt, which is critical to the budget development process, or report debt levels on a real-time basis. Users have noted integrity issues related to output reports, and therefore, users rely on manual controls to validate reporting used to make decisions.

Business Impact:

A potential risk exists that late or inaccurate debt payments may lead to negative impacts on the City's AAA credit rating, additional charges incurred or increased borrowing costs. The manual input of data, review of output, preparation of reconciliation schedules, and creation of financial models is an inefficient use of staff time and could lead to inaccurate reporting to management and Council.

Action Plan:

It is recommended that the City use the investigation performed to date to expedite the process of developing and implementing a new debt system that is capable of storing, calculating, tracking and reporting debt in an accurate and efficient manner.

Action Plan Lead:

Manager III, Financial Planning & Policy (Operating)

Timing:

June 30, 2014

#2: Master plans reported without budgetary considerations

Observation:

Master plans, which are plans for significant initiatives for the City, are reported to City Committees and Council which may not be supported by cost estimates or reviewed by Financial Planning & Policy (FP&P) and the Senior Leadership Team (SLT).

Business Impact:

A potential risk exists that master plans are reported and publically endorsed without first considering the full financial impact of implementation. Implementation of previously approved projects may be delayed in order to accommodate these master plans. Additionally, without cost estimates, FP&P is unable to proactively reallocate the funds required to support the master plan projects, which could result in master plans being subsidized by the Unfunded Capital Plan.

Action Plan:

It is recommended that all master plans submitted for Council endorsement should first be reviewed and approved by FP&P and the SLT and be supported by a listing of projects and their respective cost estimates. Cost benefit analyses should be performed over all projects to substantiate their suitability for inclusion within the master plan. Additionally, master plans should be integrated within the budget process to ensure adequate sources of financing are raised to support implementation.

Action Plan Lead:

Manager III, Financial Planning & Policy (Operating & Capital) and Senior Business Administrators

Timing:

December 31, 2013

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#3: Use of value-based budgeting

Observation:

An opportunity exists to identify further cost savings opportunities by continuing to develop a value-based budgeting model for certain service areas or sections. This process would require management to support every expenditure budgeted for, as opposed to supporting only incremental changes from the prior year budget.

Business Impact:

A potential risk exists that the current budget model does not require management to thoroughly analyze and justify their budgets to identify additional cost savings opportunities.

Action Plan:

It is recommended that the City consider the full implementation of value-based budgeting on a rotational basis, using a risk-based approach in identifying areas of potential cost savings.

Action Plan Lead:

Director, Financial Planning & Policy

Timing:

2015 budget

#4: Multi-year budgeting approach

Observation:

While the City performs multi-year forecasting, future years' budgets are not formally approved by Council. Budgeting is a time-consuming process and encompasses a broad range of services provided by the City. Many costs remain similar year-over-year and/or are predictable in nature.

Other municipalities have adopted similar strategies:

- The City of Calgary approves a 3-year budget
- The City of Waterloo approves a 3-year budget in addition to a 7 year forecast

Business Impact:

A potential risk exists that staff time is being used inefficiently by preparing, reviewing, and approving annual budgets, some of which are stable and/or predictable year-over-year. The benefits of long-term financial planning are not being realized.

Action Plan:

It is recommended that the City investigate implementing multi-year budgeting by:

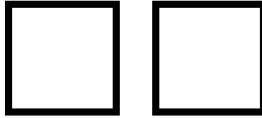
- 1) Continuing to obtain City Council approval of the multi-year forecast for the 2014 budget, and;
- 2) Obtaining City Council approval of a multi-year budget at the commencement of the next Council term, as a means of streamlining the budgeting process and improving long-term financial planning. A threshold should be determined above which approval would be required for any budget changes.

Action Plan Lead:

Director, Financial Planning & Policy

Timing:

- 1) 2014 budget
- 2) 2015 budget



#5: Inconsistent knowledge and application of systems by budget preparers

Observation:

Variability exists in the knowledge of data collection and reporting tools in JD Edwards (JDE) and COGNOS among the Financial Business Administrators (FBA), staff responsible for preparing budgets. The FBAs report to one of the two Senior Business Administrators (SBAs).

Business Impact:

A potential risk exists that staff time may be used inefficiently if best-practices for budget preparation and monitoring are not consistently implemented.

Action Plan:

It is recommended that FBAs receive appropriate and consistent training on effective and efficient use of JDE, COGNOS and other systems. It is also recommended that the FBAs work in a collaborative and integrative manner to facilitate the sharing of best practices in data collection/manipulation, budget preparation and monitoring activities on an ongoing basis. SBAs should enforce best practices and monitor for consistent performance on a regular basis.

Action Plan Lead:

Senior Business Administrators

Timing:

2014 budget

#6: Development, monitoring and evaluation of Key Performance Indicators

Observation:

Clearly defined and measureable Key Performance Indicators (KPIs) do not exist for all programs. Existing KPIs are often transactional, volume-driven and not tied to a stated level of performance. Formalized monitoring activities to measure achievement against stated goals do not occur.

Business Impact:

A potential risk exists that without clearly-defined and measureable KPIs, financial planning decisions may not be optimal. Failure to monitor and evaluate progress against KPIs reduces the ability to detect and respond to issues in a timely manner and/or identify trends which might impact future years' budgets.

Action Plan:

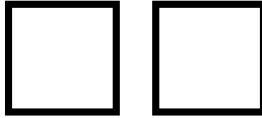
It is recommended that Program Managers, in consultation with the FBAs and SBAs, should develop clearly-defined and measurable KPIs. These KPIs should be regularly monitored, evaluated and used to guide effective resource allocation decisions in the budgeting process.

Action Plan Lead:

Senior Business Administrators

Timing:

2015 budget



#7: Local 107 vacation and sick time are recorded in fringe benefits expense

Observation:

Vacation and sick time (lost time) for Local 107 staff are recorded in fringe benefits expense rather than in salaries/wages expense. This is done in order to facilitate the tracking of only direct/productive labour hours within the salaries and wages expense accounts. Many Local 107 staff work for more than one Program Manager, which means their direct/productive labour must be allocated across different programs.

Business Impact:

A potential risk exists of over or under-budgeting labour costs if Program Managers do not communicate or coordinate their intended share of the Local 107 staffs' budgeted direct/productive labour hours. This could result in overstated or understated operating budgets, which leads to future variances against actual direct/productive labour expense.

Action Plan:

It is recommended that the City continue its review of the budgeting process surrounding Local 107 payroll costs. In conducting this review, the City should investigate the optimal allocation and coordination of budgeting for direct/productive labour costs, along with reassessing the value of budgeting lost time as part of the Local 107 fringe rate.

Action Plan Lead:

Senior Business Administrators

Timing:

2015 budget

#8: Purchase Order numbers are not noted on all invoices

Observation:

The majority of capital spending is committed through use of Purchase Orders (PO) assigned to capital projects. Project Managers sometimes fail to denote the PO on an invoice when approving it for processing by Accounts Payable, resulting in the inability to compare total commitments against the approved capital budget.

Business Impact:

A potential risk exists that open commitments for capital projects are overstated if invoices paid do not indicate which open commitment has been closed, resulting in inefficient use of staff time and delays in investigating capital budget spending variances.

Action Plan:

It is recommended that the Manager of Financial Planning & Policy re-communicate to the Project Managers, the importance of indicating the PO number when approving invoices for capital projects. Project Managers should confirm indication and accuracy of PO numbers by signing their initials beside the PO number on the invoice.

Action Plan Lead:

Manager III, Financial Planning & Policy (Capital)

Timing:

July 31, 2013

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#9: Duplication of efforts in capital project creation

Observation:

In order for FBAs to develop a capital budget, a manual form must be completed, detailing the planned expenditures. Since FBAs do not have access to update expenditure detail records in JDE, Financial Planning & Policy must then re-enter the data into JDE once approved.

Business Impact:

A potential risk exists that staff time may be used inefficiently by duplicating effort required to establish a new capital project.

Action Plan:

It is recommended FBAs are granted JDE access to update expenditure detail records for capital projects. Ultimate approval, assignment of funds, and completion of project creation process would be required by FP&P before the project is undertaken.

Action Plan Lead:

Manager III, Financial Planning & Policy (Capital)

Timing:

March 31, 2014

#10: Capital budgeting is performed at the program level in some cases

Observation:

Capital programs consist of multiple capital projects. Some capital budgeting is currently performed at the program level as this is the level at which Council approves capital budgets. However, budget monitoring is more efficient and effective at the project level.

Business Impact:

A potential risk exists that staff time is not used efficiently when monitoring the status of actual expenditures against the approved budget at the program-wide level.

Action Plan:

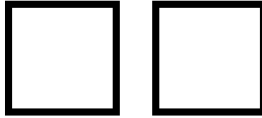
It is recommended that the City continue to investigate the opportunity to create and approve more capital budgets at the project level.

Action Plan Lead:

Manager III, Financial Planning & Policy (Capital)

Timing:

2015 budget



#11: Support for capital project cost estimates

Observation:

A significant amount of reliance is placed on City engineer estimates over future capital expenditures, however, detailed support for these cost estimates is not consistently provided to FP&P. Additionally, older estimates are not always refined as capital projects come due.

Business Impact:

A potential risk exists that there may be inconsistencies between estimated and actual costs if capital project cost estimates are not thoroughly supported or up-to-date. This could result in inappropriate financial planning decisions and/or deficient capital reserve funds.

Action Plan:

It is recommended that FBAs request and obtain sufficiently detailed support over planned capital project cost estimates.

Action Plan Lead:

Senior Business Administrators

Timing:

September 30, 2013

#12: Monitoring activities require greater attention

Observation:

Staff have reported a disproportionate amount of time spent performing budgeting tasks versus monitoring and understanding surpluses, deficits, and spending trends.

Business Impact:

A potential risk exists that indicators of inefficient spending may be un-detected without sufficient and regular monitoring and understanding of surpluses, deficits and spending trends.

Action Plan:

It is recommended that a portion of the time savings generated from streamlining the budgeting process be redirected towards improved monitoring and understanding of surpluses, deficits and spending trends of City programs.

Action Plan Lead:

Director, Financial Planning & Policy

Timing:

December 31, 2013

Appendix C - Quarterly Results on Internal Audit Results

The Corporation of the City of London

Quarterly Report on Internal Audit Results

- Urban Forestry and Planning Application Processes
- Budgeting Process

June 27, 2013

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.

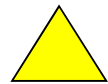
Satisfactory



- **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



Planning - Urban Forestry and Planning Application Processes

Summary of Risks & Scope

Planning - Urban Forestry and Planning Application Process

Scope

- Official Plan amendment process
- Zoning By-Law amendment process
- Planning application fee structure
- Tree Conservation By-law processes
- Boulevard Tree By-law processes
- Effectiveness of Urban Forestry Section restructuring
- Urban Forestry information system

Risks

- Official Plan amendments or Zoning By-Law amendments may not be in compliance with policy
- Tree Conservation By-law and Boulevard Tree By-law applications may not be in compliance with policy
- Opportunities may exist to increase efficiencies as a result of the recent restructuring of the Urban Forestry Section
- The Urban Forestry information system may not meet the needs of users

Controls Operating Effectively

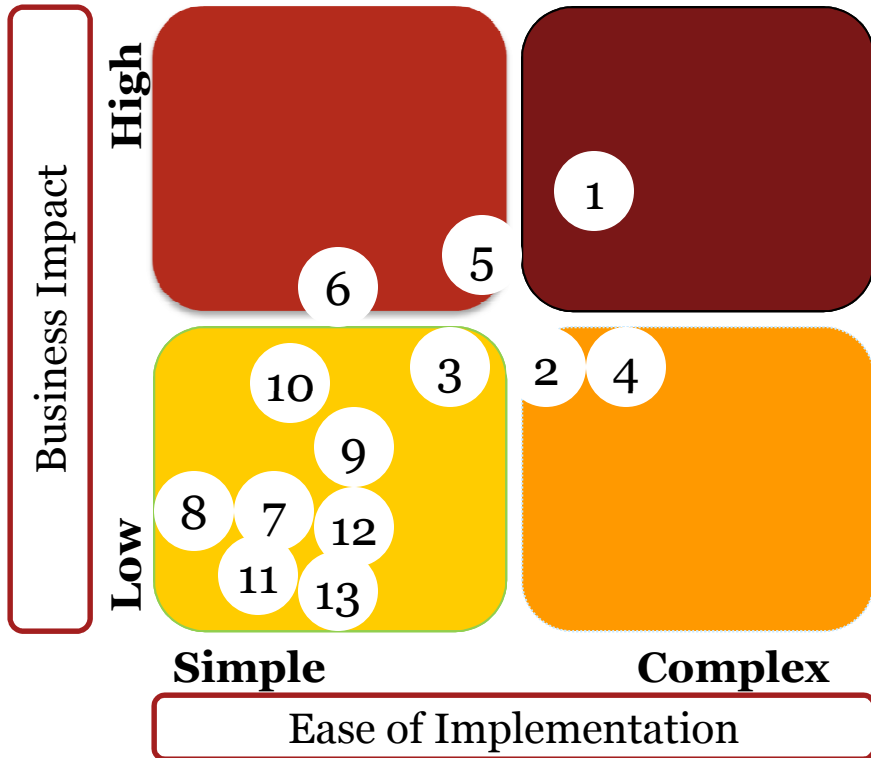
- Official Plan and Zoning By-Law amendments are processed in accordance with policy and meet the legislated timelines required for these application approvals.
- The Urban Forestry Section has successfully increased the focus put towards the health of the City's trees as a result of the recent restructuring which established the Urban Forestry Section within the Planning Service Area.

Value-for-Money Considerations

- Several observations noted in this report provide opportunities to increase planning revenues and further improve the urban forestry processes. These savings are estimated to be approximately \$35,000 to \$95,000.

Action Plan Summary

Planning - Urban Forestry and Planning Application Process



- 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	Timing
#1: Opportunity to improve prioritization and direction within the Urban Forestry Section	September 30, 2013
#2: Administration of the Tree Conservation By-law	October 31, 2013
#3: Tree Conservation By-law processes	December 31, 2013
#4: Administration of the Boulevard Tree By-law	December 31, 2013
#5: Budgeting	September 30, 2013
#6: Forestry information system	June 30, 2014
#7: Planting strategy	Within 6 months of the release of the Urban Forestry Strategy
#8: Service level agreement	August 31, 2013
#9 Follow-up for tree protection recommendations	December 31, 2013
#10: Application fees	December 31, 2013
#11: Application process checklist	September 30, 2013
#12: Official Plan Amendment and Zoning By-law Amendment reporting	December 31, 2013
#13: Application process mapping	December 31, 2013
#14: See Confidential Appendix to the Report	

Action Plan Lead

Various

Observations & Action Plans -#1

Planning - Urban Forestry and Planning Application Process

Needs Improvement 

Observation

Opportunity to improve prioritization and direction within the Urban Forestry Section

The Urban Forestry Section has a clear work program that is developed in conjunction with staff members. However, there is a need for tasks and commitments of the Urban Forestry Section to be more clearly prioritized in order to give focus and direction for the staff members. This prioritization and direction should be an ongoing process. The current organizational structure may be contributing to this observation.

For example, it is unclear how to prioritize which site plans the Urban Forestry Section should review for urban forestry purposes if there is insufficient capacity to review all site plans.

It is also unclear whether staff members are allocating an appropriate amount of time towards volunteer events, committees and other meetings instead of other potentially higher-priority items.

Business Impact

A potential risk exists that staff members are not focusing their time on high priority tasks which contribute to the overall strategy of the section. This may also result in an inefficient use of staff time.

Observations & Action Plans - #1

...continued

Planning - Urban Forestry and Planning Application Process

Action Plan

- 1) It is recommended that management clearly document and monitor its priorities for the Urban Forestry Section. This direction should be communicated to the staff members and regularly monitored to support the section reaching its strategic goals.
- 2) It is recommended that the Urban Forestry Section reassess and prioritize their current involvement with other divisions to ensure that they are involved in all necessary areas and decisions that impact the health and protection of the City's urban forest.
- 3) It is recommended that the section considers the ability to reallocate tasks of an administrative nature to an administrative clerk role to assist in prioritizing staff time.
- 4) Finally, it is recommended that the current organizational structure of the Urban Forestry Section be reassessed.

Action Plan Lead

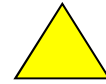
Manager, Urban Forestry and
City Planner

Timing

September 30, 2013

Observations & Action Plans - #2

**Needs
Improvement**



Planning - Urban Forestry and Planning Application Process

Observation

Administration of the Tree Conservation By-law

Some existing permits issued in the best interest of the health of the City's trees contradict the Tree Conservation By-law (TCB). There are sections of the TCB which are difficult to implement.

Business Impact

A potential risk exists that permits relating to maintenance of dangerous trees and regular maintenance of trees on open space or environmental review zoned land are difficult to obtain and may impact the health of the City's trees.

Action Plan

It is recommended that management continue the process of reviewing and amending the Tree Conservation By-law as required. It is also recommended that permits are approved strictly in accordance with the TCB going forward. Finally, it is also recommended that management consider re-allocating the by-law enforcement function.

Action Plan Lead

Manager, Urban Forestry and
City Planner

Timing

October 31, 2013

Observations & Action Plans -#3

Needs Improvement 

Planning - Urban Forestry and Planning Application Process

Observation

Tree Conservation By-law processes

The current TCB process is unclear as it relates to internal processing of these permits as well as for the public initiating these requests. Staff have identified this issue and have mapped out the process, analyzed where there are problems, and are developing alternatives to improve the process. They are doing this concurrently with the review of the TCB to evaluate how that document also needs to be improved.

Business Impact

A potential risk exists that the City may not meet the 45 days requirement for processing permits under the TCB. A potential risk also exists that the appropriate documentation is not maintained and staff time is not efficiently used.

Action Plan

- 1) It is recommended that a clear process should be developed and documented, both internally and for the public to initiate a permit.
- 2) It is recommended that the consultation with the permit applicant occurs at the start of the permit process, to ensure the application is complete with all necessary documentation and the permit is processed in an efficient manner.
- 3) It is recommended that the Urban Forestry Section implement filing and tracking procedures for permits using the Amanda system.
- 4) It is recommended that an emergency permit procedure be established in order to expedite the maintenance and /or removal of damaged and dangerous trees.

Action Plan Lead

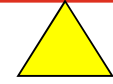
Manager, Urban Forestry and
City Planner

Timing

December 31, 2013

Observations & Action Plans -#4

Needs
Improvement



Planning - Urban Forestry and Planning Application Process

Observation

Administration of the Boulevard Tree By-law

Existing permits for the removal of boulevard trees may contradict the Boulevard Tree By-law. When violations are noted, a consensual tree removal invoice is issued after the tree removal has occurred instead of issuing a ticket for non-compliance. Staff have identified this issue and are in the process of investigating required amendments to the process and by-law. The existing Boulevard Tree By-law also creates barriers for those citizens who wish to plant their own boulevard trees.

Business Impact

A potential risk also exists that proceeds from permits are not utilized in accordance with City policy. Ticket fee revenue should be received and contributed to general City reserves instead of permit fees received and retained within Urban Forestry Operations.

Action Plan

- 1) It is recommended that Urban Forestry Section staff continue the process of reviewing and amending the Boulevard Tree By-law, as required. This includes amending the By-law such that it is made more flexible for those citizens wishing to plant their own trees. This may include creating an approved vendor/tree listing.
- 2) It is also recommended that permits and tickets are issued strictly in accordance with the by-law.
- 3) Finally, it is recommended that management consider re-allocating the by-law enforcement function.

Action Plan Lead

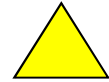
Manager, Urban Forestry and
City Planner
PricewaterhouseCoopers LLP

Timing

December 31, 2013

Observations & Action Plans -#5

**Needs
Improvement**



Planning - Urban Forestry and Planning Application Process

Observation

Budgeting

Based on the results of the recent urban forestry restructuring, the Urban Forestry Section is currently funding certain positions through the Urban Forestry capital budget rather than the operating budget.

Business Impact

A potential risk exists that there may be insufficient capital budget funds to cover these expenditures in future years, impacting the Urban Forestry Section's operating budget.

Action Plan

It is recommended that management prepare a business case to bring certain position being funded through the capital budget, into the operating budget.

Action Plan Lead

City Planner

Timing

September 30, 2013

Observations & Action Plans -#6

Satisfactory



Planning - Urban Forestry and Planning Application Process

Observation

Forestry information system

The current forestry information system used by the Urban Forestry Section and Urban Forestry Operations to track the species and condition of trees on public property does not adequately meet the needs of the users as report generation capabilities are limited and do not allow for priority-based reporting. The system also contains out-dated information due to the necessity to input information manually. Finally, an opportunity exists to improve the accuracy of the information maintained in the system going forward by integrating GPS technology. Progress in upgrading this system has been stalled by Information Technology Services capacity issues.

Business Impact

A potential risk exists that without priority-based reporting capabilities, the Urban Forestry Section may not be able to effectively evaluate key metrics and make strategic forestry decisions. In addition, an inaccurate tree inventory system which requires significant manual inputs may result in an inefficient use of resources, and an inability to easily locate trees for maintenance purposes.

Action Plan

It is recommended that the City use the investigation performed to date to expedite the process of developing and implementing a forestry information system which would incorporate priority-based reporting capabilities. The City should also consider incorporating GPS technology to improve accuracy.

Action Plan Lead

Division Manager, Transportation and Roadside Operations

PricewaterhouseCoopers LLP

Timing

June 30, 2014

Observations & Action Plans -#7

Satisfactory



Planning - Urban Forestry and Planning Application Process

Observation

Planting strategy

A formalized tree planting strategy does not exist and is therefore not available to be communicated to Urban Forestry Operations which is responsible for administering the third party tree planting contract.

Business Impact

A potential risk exists that Urban Forestry Operations is planting trees that are not in line with the Urban Forestry Section's strategy and guidance. This may result in trees planted which are not in the best interest of the City's urban forest.

Action Plan

It is recommended that the Urban Forestry Section develop a tree planting strategy which would indicate the ideal species of trees to be planted in various areas of the City (i.e. boulevards, woodlands, areas with hydro lines). The plan should be reassessed annually based on the current condition of the City's urban forests, and communicated to Urban Forestry Operations. The development of this planting strategy will follow the upcoming Urban Forestry Strategy to be issued by a third party consultant.

Action Plan Lead

Manager, Urban Forestry and City Planner

Timing

Within 6 months of the release of the Urban Forestry Strategy

Observations & Action Plans -#8

Satisfactory



Planning - Urban Forestry and Planning Application Process

Observation

Service level agreement

The service level agreement is an innovative approach that has been developed to clarify the roles between the Urban Forestry Section and Urban Forestry Operations subsequent to the restructuring of urban forestry roles. However, this service level agreement is not up to date with current practices. The agreement also does not include the level of detail required to outline the specific tasks performed by each group for the sub-processes listed.

Business Impact

A potential risk exists that tasks could be duplicated, resulting in inefficient use of staff time. A potential risk also exists that a required task is not being performed by either group.

Action Plan

It is recommended that the service level agreement is reassessed and updated to ensure that tasks are allocated in the most efficient manner and reflective of actual practices.

Action Plan Lead

Division Manager, Transportation and
Roadside Operations
Manager, Urban Forestry

Timing

August 31, 2013

Observations & Action Plans -#9

Satisfactory



Planning - Urban Forestry and Planning Application Process

Observation

Follow-up for tree protection recommendations

Urban Forestry Section staff do not perform site visits as follow-up to providing tree protection recommendations to other departments. These recommendations may be provided in conjunction with an approved site plan.

Business Impact

A potential risk exists that tree protection recommendations provided by the Urban Forestry Section are not being adhered to, resulting in the potential inefficient use of staff time spent developing these recommendations. A potential risk also exists that trees are not being protected in accordance with guidance provided by the Urban Forestry Section.

Action Plan

It is recommended that management explore opportunities to determine how this follow-up function could be performed, to ensure that tree protection recommendations are implemented in a satisfactory manner. If this task were to be assigned to Development Services staff, guidance on how to perform this assessment would be required.

Action Plan Lead

Manager, Urban Forestry and City Planner

Timing

December 31, 2013

Observations & Action Plans -#10

Satisfactory



Planning - Urban Forestry and Planning Application Process

Observation

Application fees

An opportunity exists for the City to increase their planning application fees (including Official Plan Amendment and Zoning By-law Amendment fees) closer to those charged by comparable municipalities in Ontario.

If planning application fees were increased by 20%, based on the number of applications received in 2012, fee revenue would increase by approximately \$35,000.

For example, Official Plan Amendment fees could be raised by approximately 50% to be in line with the average of fees charged by the cities of Windsor, Sarnia and Hamilton.

Business Impact

A potential risk exists that the City of London is undercharging for the planning application process. However, it is noted that such an increase may have impacts on the ability for the City to attract future development.

Action Plan

It is recommended that management perform a cost-benefit analysis to determine whether application fee rates should be modified.

Action Plan Lead

Manager, Community Planning & Urban Design

Timing

December 31, 2013

Observations & Action Plans -#11

Satisfactory



Planning - Urban Forestry and Planning Application Process

Observation

Application process checklist

An opportunity exists to further increase consistencies in the documents maintained by planners to support the processing of Official Plan Amendments and Zoning By-law Amendments.

Business Impact

A potential risk exists that a document may be missed when compiling application files. A potential risk also exists that staff time, including review time, is spent inefficiently if application files are not organized in a consistent manner.

Action Plan

It is recommended that management create a checklist for all application files outlining the documents required. This checklist should be reviewed and initialed by the planner as well as the reviewers prior to submission to Council.

Finally, this checklist should outline the parties that are required to be communicated with or notified in relation to the pending Official Plan or Zoning By-law change. The checklist should prioritize which responses are needed prior to report creation.

Action Plan Lead

Manager, Planning Review

Timing

September 30, 2013

Observations & Action Plans -#12

Satisfactory



Planning - Urban Forestry and Planning Application Process

Observation

Official Plan Amendment and Zoning By-law Amendment reporting

The final application reports submitted to the Planning Committee and Council vary in structure, length and contain some repetitive information.

Business Impact

A potential risk exists that reports are not consistent or may result in inefficient use of staff and senior leadership time.

Action Plan

It is recommended that the final application report template be updated and approved by the City Clerk's Office in order to minimize length and improve consistency in reporting.

Action Plan Lead

Manager, Community Planning & Urban Design

Timing

December 31, 2013

Observations & Action Plans -#13

Satisfactory



Planning - Urban Forestry and Planning Application Process

Observation

Application process mapping

Our review shows that planning applications are processed expeditiously within an efficient and effective process. An opportunity exists to update the current application process mapping document. This document has not been distributed to all planners.

Business Impact

A potential risk exists that the application process is not adhered to, which may impact the Planning Service Area's ability to meet the legislated maximum timelines under the Planning Act. A potential risk also exists that staff time is not used efficiently.

Action Plan

It is recommended that the application process mapping is updated according to current business practices and requirements under the Planning Act. This document should be provided to all planning staff involved in the planning application process and integrated into training of new planners. Finally, this document should be reviewed annually to ensure the process is in compliance with the Planning Act in contemplation of any recent amendments.

Action Plan Lead

Manager, Planning Review

Timing

December 31, 2013

Observations & Action Plans -#14

Planning - Urban Forestry and Planning Application Process

See Confidential Appendix to the Report

Corporate Services/Finance – Budgeting Process

Summary of Risks & Scope

Corporate Services/Finance – Budgeting Process

Scope

- Budgeting model and budgeting approach
- Budget creation and data collection
- Budget consolidation and review
- Budget approval process
- Performance monitoring
- Debt system management

Risks

- The budgeting model may not allow for optimal financial planning
- Data collected may not be accurate, or prepared by individuals with an appropriate level of knowledge
- Budgets may not be appropriately reviewed and approved
- Insufficient performance monitoring could result in sub-optimal financial planning
- An inadequate debt management system may impact the City's credit rating

Controls Operating Effectively

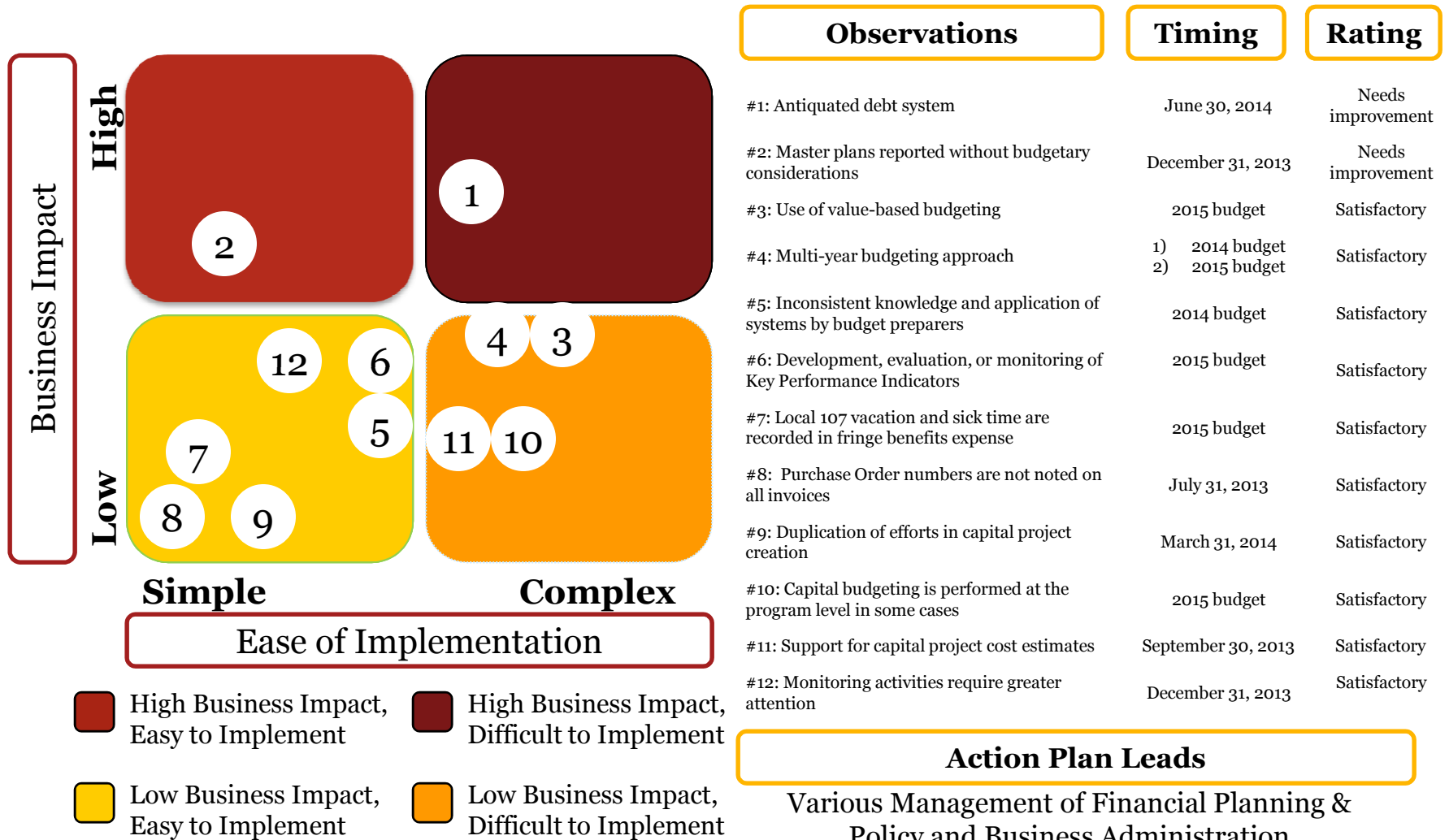
- Budgets are created and reviewed by individuals with an appropriate level of knowledge and expertise.
- Budgets are reviewed and approved in accordance with City policies.
- The budgeting process has been successfully centralized within Financial Planning & Policy.

Value-for-Money Considerations

- The recommendation to consider the feasibility of implementing a value-based budgeting methodology may result in the identification of additional cost savings.
- Several observations noted in this report provide opportunities to further streamline the budgeting process and utilize staff time more efficiently.

Action Plan Summary

Corporate Services/Finance – Budgeting Process



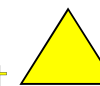
Action Plan Leads

Various Management of Financial Planning & Policy and Business Administration

Observations & Action Plans -#1

Corporate Services/Finance – Budgeting Process

Needs Improvement



Observation

Antiquated debt system

The existing debt system has limited functionality as it cannot perform basic debt calculations, forecast or track unissued debt, which is critical to the budget development process, or report debt levels on a real-time basis. Users have noted integrity issues related to output reports, and therefore, users rely on manual controls to validate reporting used to make decisions.

Business Impact

A potential risk exists that late or inaccurate debt payments may lead to negative impacts on the City's AAA credit rating, additional charges incurred or increased borrowing costs. The manual input of data, review of output, preparation of reconciliation schedules, and creation of financial models is an inefficient use of staff time and could lead to inaccurate reporting to management and Council.

Action Plan

It is recommended that the City use the investigation performed to date to expedite the process of developing and implementing a new debt system that is capable of storing, calculating, tracking and reporting debt in an accurate and efficient manner.

Action Plan Lead

Manager III, Financial Planning & Policy
(Operating)

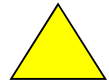
Timing

June 30, 2014

Observations & Action Plans -#2

Corporate Services/Finance – Budgeting Process

**Needs
Improvement**



Observation

Master plans reported without budgetary considerations

Master plans, which are plans for significant initiatives for the City, are reported to City Committees and Council which may not be supported by cost estimates or reviewed by Financial Planning & Policy (FP&P) and the Senior Leadership Team (SLT).

Business Impact

A potential risk exists that master plans are reported and publically endorsed without first considering the full financial impact of implementation.

Implementation of previously approved projects may be delayed in order to accommodate these master plans. Additionally, without cost estimates, FP&P is unable to proactively reallocate the funds required to support the master plan projects, which could result in master plans being subsidized by the Unfunded Capital Plan.

Action Plan

It is recommended that all master plans submitted for Council endorsement should first be reviewed and approved by FP&P and the SLT and be supported by a listing of projects and their respective cost estimates. Cost benefit analyses should be performed over all projects to substantiate their suitability for inclusion within the master plan. Additionally, master plans should be integrated within the budget process to ensure adequate sources of financing are raised to support implementation.

Action Plan Lead

Manager IIIs, Financial Planning & Policy (Operating & Capital) and Senior Business Administrators

Timing

December 31, 2013

Observations & Action Plans -#3

Corporate Services/Finance – Budgeting Process

Satisfactory



Observation

Use of value-based budgeting

An opportunity exists to identify further cost savings opportunities by continuing to develop a value-based budgeting model for certain service areas or sections. This process would require management to support every expenditure budgeted for, as opposed to supporting only incremental changes from the prior year budget.

Business Impact

A potential risk exists that the current budget model does not require management to thoroughly analyze and justify their budgets to identify additional cost savings opportunities.

Action Plan

It is recommended that the City consider the full implementation of value-based budgeting on a rotational basis, using a risk-based approach in identifying areas of potential cost savings.

Action Plan Lead

Director, Financial Planning & Policy

Timing

2015 budget

Observations & Action Plans -#4

Satisfactory



Corporate Services/Finance – Budgeting Process

Observation

Multi-year budgeting approach

While the City performs multi-year forecasting, future years' budgets are not formally approved by Council. Budgeting is a time-consuming process and encompasses a broad range of services provided by the City. Many costs remain similar year-over-year and/or are predictable in nature.

Other municipalities have adopted similar strategies:

- The City of Calgary approves a 3-year budget
- The City of Waterloo approves a 3-year budget in addition to a 7 year forecast

Business Impact

A potential risk exists that staff time is being used inefficiently by preparing, reviewing, and approving annual budgets, some of which are stable and/or predictable year-over-year. The benefits of long-term financial planning are not being realized.

Action Plan

It is recommended that the City investigate implementing multi-year budgeting by:

- 1) Continuing to obtain City Council approval of the multi-year forecast for the 2014 budget, and;
- 2) Obtaining City Council approval of a multi-year budget at the commencement of the next Council term, as a means of streamlining the budgeting process and improving long-term financial planning. A threshold should be determined above which approval would be required for any budget changes.

Action Plan Lead

Director, Financial Planning & Policy

Timing

- 1) 2014 budget
- 2) 2015 budget

Observations & Action Plans -#5

Corporate Services/Finance – Budgeting Process

Satisfactory



Observation

Inconsistent knowledge and application of systems by budget preparers

Variability exists in the knowledge of data collection and reporting tools in JD Edwards (JDE) and COGNOS among the Financial Business Administrators (FBA), staff responsible for preparing budgets. The FBAs report to one of the two Senior Business Administrators (SBAs).

Business Impact

A potential risk exists that staff time may be used inefficiently if best-practices for budget preparation and monitoring are not consistently implemented.

Action Plan

It is recommended that FBAs receive appropriate and consistent training on effective and efficient use of JDE, COGNOS and other systems. It is also recommended that the FBAs work in a collaborative and integrative manner to facilitate the sharing of best practices in data collection/manipulation, budget preparation and monitoring activities on an ongoing basis. SBAs should enforce best practices and monitor for consistent performance on a regular basis.

Action Plan Lead

Senior Business Administrators

Timing

2014 budget

Observations & Action Plans -#6

Satisfactory



Corporate Services/Finance – Budgeting Process

Observation

Development, monitoring and evaluation of Key Performance Indicators

Clearly defined and measurable Key Performance Indicators (KPIs) do not exist for all programs. Existing KPIs are often transactional, volume-driven and not tied to a stated level of performance. Formalized monitoring activities to measure achievement against stated goals do not occur.

Business Impact

A potential risk exists that without clearly-defined and measurable KPIs, financial planning decisions may not be optimal. Failure to monitor and evaluate progress against KPIs reduces the ability to detect and respond to issues in a timely manner and/or identify trends which might impact future years' budgets.

Action Plan

It is recommended that Program Managers, in consultation with the FBAs and SBAs, should develop clearly-defined and measurable KPIs. These KPIs should be regularly monitored, evaluated and used to guide effective resource allocation decisions in the budgeting process.

Action Plan Lead

Senior Business Administrators

Timing

2015 budget

Observations & Action Plans -#7

Corporate Services/Finance – Budgeting Process

Satisfactory



Observation

Local 107 vacation and sick time are recorded in fringe benefits expense
Vacation and sick time (lost time) for Local 107 staff are recorded in fringe benefits expense rather than in salaries/wages expense. This is done in order to facilitate the tracking of only direct/productive labour hours within the salaries and wages expense accounts. Many Local 107 staff work for more than one Program Manager, which means their direct/productive labour must be allocated across different programs.

Business Impact

A potential risk exists of over or under-budgeting labour costs if Program Managers do not communicate or coordinate their intended share of the Local 107 staffs' budgeted direct/productive labour hours. This could result in overstated or understated operating budgets, which leads to future variances against actual direct/productive labour expense.

Action Plan

It is recommended that the City continue its review of the budgeting process surrounding Local 107 payroll costs. In conducting this review, the City should investigate the optimal allocation and coordination of budgeting for direct/productive labour costs, along with reassessing the value of budgeting lost time as part of the Local 107 fringe rate.

Action Plan Lead

Senior Business Administrators

Timing

2015 budget

Observations & Action Plans -#8

Satisfactory



Corporate Services/Finance – Budgeting Process

Observation

Purchase Order numbers are not noted on all invoices

The majority of capital spending is committed through use of Purchase Orders (PO) assigned to capital projects. Project Managers sometimes fail to denote the PO on an invoice when approving it for processing by Accounts Payable, resulting in the inability to compare total commitments against the approved capital budget.

Business Impact

A potential risk exists that open commitments for capital projects are overstated if invoices paid do not indicate which open commitment has been closed, resulting in inefficient use of staff time and delays in investigating capital budget spending variances.

Action Plan

It is recommended that the Manager of Financial Planning & Policy re-communicate to the Project Managers, the importance of indicating the PO number when approving invoices for capital projects. Project Managers should confirm indication and accuracy of PO numbers by signing their initials beside the PO number on the invoice.

Action Plan Lead

Manager III, Financial Planning & Policy
(Capital)

Timing

July 31, 2013

Observations & Action Plans -#9

Corporate Services/Finance – Budgeting Process

Satisfactory



Observation

Duplication of efforts in capital project creation

In order for FBAs to develop a capital budget, a manual form must be completed, detailing the planned expenditures. Since FBAs do not have access to update expenditure detail records in JDE, Financial Planning & Policy must then re-enter the data into JDE once approved.

Business Impact

A potential risk exists that staff time may be used inefficiently by duplicating effort required to establish a new capital project.

Action Plan

It is recommended FBAs are granted JDE access to update expenditure detail records for capital projects. Ultimate approval, assignment of funds, and completion of project creation process would be required by FP&P before the project is undertaken.

Action Plan Lead

Manager III, Financial Planning & Policy
(Capital)

Timing

March 31, 2014

Observations & Action Plans -#10

Corporate Services/Finance – Budgeting Process

Satisfactory



Observation

Capital budgeting is performed at the program level in some cases
Capital programs consist of multiple capital projects. Some capital budgeting is currently performed at the program level as this is the level at which Council approves capital budgets. However, budget monitoring is more efficient and effective at the project level.

Business Impact

A potential risk exists that staff time is not used efficiently when monitoring the status of actual expenditures against the approved budget at the program-wide level.

Action Plan

It is recommended that the City continue to investigate the opportunity to create and approve more capital budgets at the project level.

Action Plan Lead

Manager III, Financial Planning & Policy
(Capital)

Timing

2015 budget

Observations & Action Plans -#11

Corporate Services/Finance – Budgeting Process

Satisfactory



Observation

Support for capital project cost estimates

A significant amount of reliance is placed on City engineer estimates over future capital expenditures, however, detailed support for these cost estimates is not consistently provided to FP&P. Additionally, older estimates are not always refined as capital projects come due.

Business Impact

A potential risk exists that there may be inconsistencies between estimated and actual costs if capital project cost estimates are not thoroughly supported or up-to-date. This could result in inappropriate financial planning decisions and/or deficient capital reserve funds.

Action Plan

It is recommended that FBAs request and obtain sufficiently detailed support over planned capital project cost estimates.

Action Plan Lead

Senior Business Administrators

Timing

September 30, 2013

Observations & Action Plans -#12

Satisfactory



Corporate Services/Finance – Budgeting Process

Observation

Monitoring activities require greater attention

Staff have reported a disproportionate amount of time spent performing budgeting tasks versus monitoring and understanding surpluses, deficits, and spending trends.

Business Impact

A potential risk exists that indicators of inefficient spending may be un-detected without sufficient and regular monitoring and understanding of surpluses, deficits and spending trends.

Action Plan

It is recommended that a portion of the time savings generated from streamlining the budgeting process be redirected towards improved monitoring and understanding of surpluses, deficits and spending trends of City programs.



Action Plan Lead

Director, Financial Planning & Policy

Timing

December 31, 2013

2013 Internal Audit Projects in Progress

Service Area	Project	Stage
Parks & Recreation	Revenue Strategies	Planning 
Corporate Services/Finance	Facilities and Property Utilization	Planning 



Higher risk



Moderate Risk



Lower Risk

Internal Audit Scorecard – June 2013

		Key Measures	TARGET	Jan	Feb	Mar	Apr	May	Jun
CORPORATE STRATEGY	Audit Committee	Approval of annual risk-based audit plan	Y	Y	Y	Y	Y	Y	Y
		Number of reports presented to the Audit Committee	2	1	1	1	1	1	2
		Timely reporting of recommendations	Y	Y	Y	Y	Y	Y	Y
		Estimated quantification of Value-for-Money for current year projects (2013)		\$0	\$0	\$0	\$0	\$0	\$95K
	Management/ Auditees	Number of closing meetings held with management	2	0	0	0	0	2	2
		Number of concise, value-added recommendations		0	0	0	0	0	26
INTERNAL AUDIT STRATEGY	Innovation/ Capabilities	Number of best practices identified by internal audit		0	0	0	0	0	26
		Use of internal audit resources and processes	Y	Y	Y	Y	Y	Y	Y
	Internal Audit Processes	Percentage of projects completed	25%	0%	0%	0%	0%	19%	25%
		Completion of annual risk assessment and updates to audit plan	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 – <i>Corporate Services/Information Technology</i> (2011)	Some Delays
Time Off Provisions - <i>Corporate Services /Human Resources</i> (2011)	Some Delays
Water & Sewage Revenue – <i>Environmental & Engineering Services</i> (2011)	Closed
Fleet Asset Management – <i>Environmental & Engineering Services</i> (2011)	Closed
Development Approvals – <i>Development & Compliance Services</i> (2011)	Closed **
Municipal Housing Finance and Monitoring – <i>Housing and Social Services</i> (2011)	On Track
Bid Process and Approved Consultants – <i>Corporate Services/Finance</i> (2011)	Some Delays
Financial Management – <i>Housing and Social Services</i> (2012)	Some Delays
Health and Safety – <i>Parks and Recreation</i> (2012)	On Track
Building Control Compliance – <i>Development and Compliance Services</i> (2012)	On Track
Expenditure Approval & Payment – <i>Corporate Services/Finance</i> (2012)	On Track
Payroll Administration – <i>Corporate Services/Finance</i> (2012)	On Track
Succession Planning – <i>Corporate Services/Human Resources</i> (2012)	Some Delays

** All recommendations have been considered and reported back on by management. All remaining recommendations will be addressed through the 2014 DC Study and By-law review, which will be reported separately to Council. As such, from an Internal Audit perspective, we consider this project closed unless further investigation is requested by the Audit Committee

Summary of Past Due Action Plans

Project	Status
Technology Services	Significant progress has been made on action plans relating to IT governance and strategy, including successful implementation of the Corporate IT Steering Committee which has been in place throughout 2013. The remaining outstanding action plans relate primarily to documentation and communication of policies and procedures, and program/project management and prioritization, some of which is in progress, and some of which will be addressed as part of our upcoming 2013 internal audit project in this area. Recommendations relating to IT General Controls in JD Edwards were largely addressed as part of the upgrade completed in November 2012, with any remaining JD Edwards action plans expected to be addressed by September 2013.
Time-Off Provisions	Some of the Time-off Provisions action plans have been delayed as successful completion is dependent upon upcoming labour negotiations scheduled for 2014 as well as the Kronos system upgrade expected to be completed in the fall of 2013. All other recommendations have been addressed.
Bid Process and Approved Consultants	All action plans have been addressed and closed except for one action plan regarding the use and maintenance of the third party consultant list. Due to the reorganization in 2012, the scope of the project has been revised so that the Manager of Purchasing and Supply will be working towards completion of this action plan with the Managing Directors instead of the City Engineer. The revised expected date of completion has been moved out one year to December 31, 2013.
Financial Management	All action plans have been addressed and closed except for one action plan regarding the implementation of a Business Recovery Plan (BRP) for the Ontario Works payment process. Management has worked with Information Technology Services (ITS) to complete a full vision and scope document outlining the requirements needed in the event of an emergency. ITS has initiated a project which includes the BRP and the security cheque printers. ITS is currently contacting vendors to implement new set of printers with contingency and security requirements.

Summary of Past Due Action Plans (Cont'd)

Project	Status
Succession Planning	The implementation of some action plans has been delayed as a result of scheduling challenges and conflicting priorities. However, progress has been made with regards to formal documentation of a succession planning program for the City. Additionally, meetings are in process of being held with Managing Directors in order to identify and document critical positions within the organization along with members of the talent pool. These meetings are expected to be completed by the end of June 2013.

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