



Internal Audit Budget Standing Committee February 9, 2016

Recommendation

That the Budget Standing Committee receives this report for information and direct staff to continue its efforts to review business processes, find cost efficiencies and ensure resources are allocated effectively as part of the Continuous Improvement Model.

Background

As part of the Council's Strategic Plan a number of goals and actions have been identified including direction to enhance long-term planning, financial sustainability and multi-year budgeting, as well as to conduct a core service review.

Since the year-round Budget Standing Committee was established, Councillors have raised questions as to whether an internal audit would be also be useful for the City of St. Catharines to aid in reaching some of those goals that have been identified in the Strategic Plan.

Report

Internal Audit

An internal audit is a tool which can evaluate and improve the effectiveness of risk management, control and governance processes in an organization. The intended result is to ensure the organization operates as effectively and economically as possible.

Having an auditor conduct an internal audit is a healthy process in that it charges an individual not involved in daily processes and operations to conduct the evaluation and provide recommendations.

The Internal Audit process provides assurance services through the following approaches:

- Analyses Operations
- Reviews Compliance
- Recommends Controls
- Assures Safeguards

Analyses Operations

Internal Audit reviews procedures and operations closely, confirming that they are being followed correctly and that they support the organization's goals and objectives. After examining processes and procedures, Internal Audit reports its findings and works closely with the organization to provide recommendations that help the organization to adhere more closely to its objectives.

Reviews Compliance

An Internal Audit would support Senior Management and Council in that the auditor is fully educated about the intricacies of, implementation strategies for, and compliance with current regulations and legislation. Through the Internal Audit process, the auditor is responsible for identifying areas that do not conform to policies and guidelines as well as informing, explaining, and detailing the impact that non-compliance to Senior Management and Council and/or a committee of Council that is part of the process, ie. Audit Committee.

Recommends Controls

An Internal Audit evaluates the efficiency and effectiveness of current controls and determines if those controls can truly mitigate the risks that can threaten an organization. Effective internal control is a built-in component to the management process. Internal control promotes effective and efficient operations, reduces the risk of asset loss, and both heightens the reliability of financial reporting and strengthens compliance with laws and regulations.

Assures Safeguards

Internal Audit reviews the means used by a business or organization to protect its assets, and assesses whether the appropriate safeguards are in place. If assets are not well protected, then an Internal Audit will provide recommendations as to how to address the issue identified.

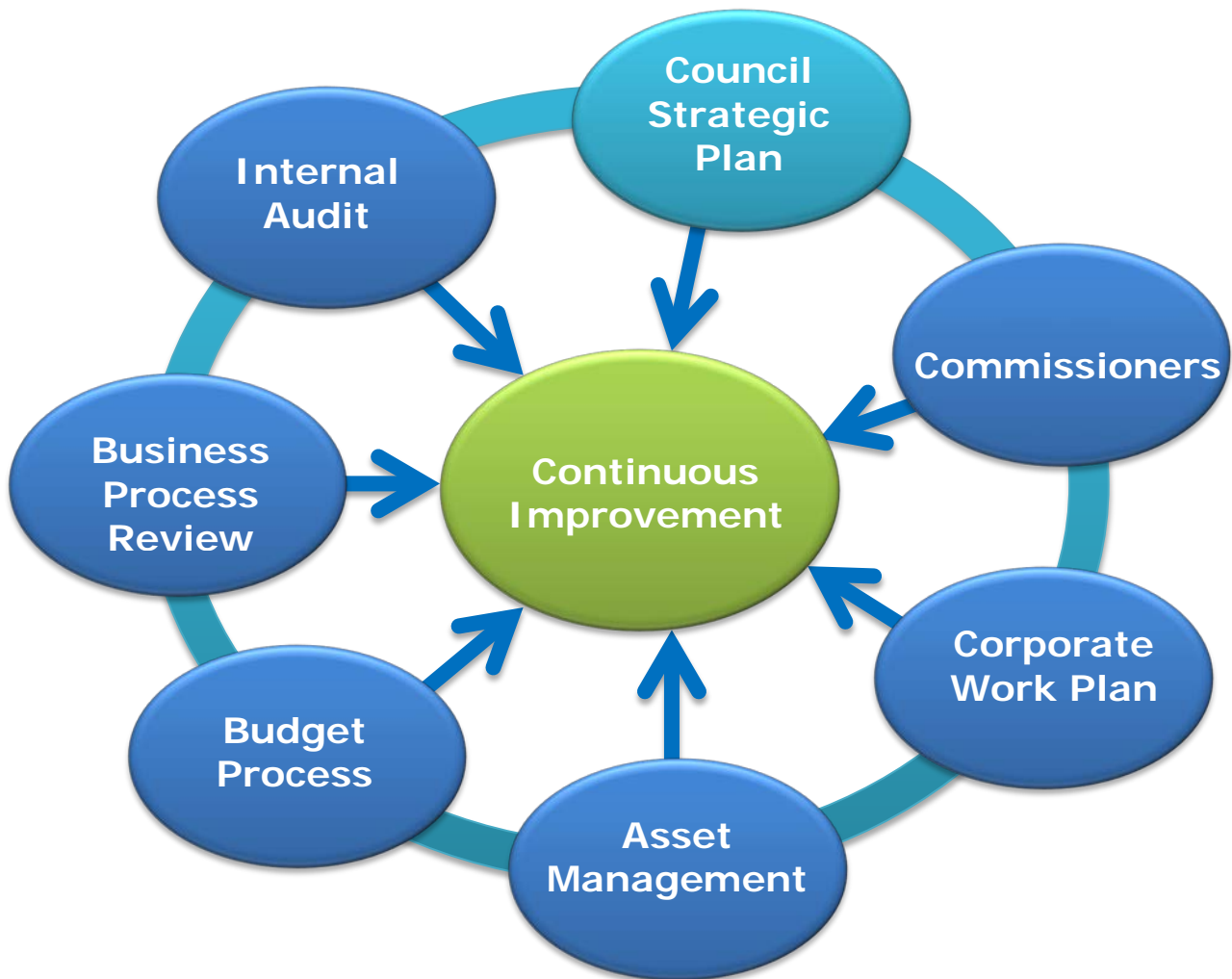
Continuous Improvement Model

Senior Management and managers within the corporation are responsible for internal controls and review of those controls as part of the standard operating process. The difference with an internal audit is that someone who is independent conducts the review.

There is value in an internal audit in that it can provide management with a greater ability to monitor how the municipality accomplishes its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Corporations and organizations that do not seek out opportunities to continuously improve increase the risk of becoming inefficient. For the City of St. Catharines, a Continuous Improvement approach has been embraced which includes a number of initiatives with the aim of achieving identified goals that result in improved operations, effective use of resources and efficiencies in our operations. This report is intended to provide additional information on those initiatives.

Continuous Improvement Model



Commissioners

Under the leadership of a new CAO, Council supported a new organizational style for the City of St. Catharines to a commissioner model. As commissioners are not involved with the operation of individual departments and oversee multiple departments there are opportunities for more long-term planning, evaluation of services, and resource efficiency.

With commissioner oversight some changes have already been made in the Transportation and Environmental Services (TES) and the Parks, Recreation and Culture Services (PRCS) departments. These changes, and future plans for these departments, are a result of an evaluation process to discover efficiencies and improve use of resources as well as to enhance customer service and improve communications between departments.

Council Strategic Planning

City Council has completed its 10-year Strategic Plan which contains more than 40 action items. Those action items identify not only current initiatives that are part of the Continuous Improvement Model but also identifies additional initiatives designed to assist with analysing and reviewing our operations which in turn will help the corporation to recommend controls and assure safeguards.

Corporate Work Plan

As Council is aware, individual departments have work plans which chart out projects for staff that are either ongoing or planned for the short, medium and long-term.

Details on the departmental work plans are now contained within one document allowing for staff throughout the City of St. Catharines to be able to get a fuller picture of the priorities and projects that are being initiated. This document allows for improved communication between departments, enhances long-term planning and ensures effective use of resources. Currently there are approximately 30 sub-plans within the overall work plan that are for divisions or sections of the corporation.

Asset Management

Asset management plans are long-term forecasts, typically over a 10-year timeframe, that help municipalities make the best possible decisions regarding building, operating, maintaining, renewing, replacing and disposing of infrastructure assets.

The goals of the City of St. Catharines Asset Management Plan are:

- Ensure all City-owned infrastructure assets are sustainable into the future;
- Guide decisions related to infrastructure asset investment and divestment;
- Provide guidance in the development of standard maintenance and rehabilitation policies;
- Provide a framework for lifecycle and cost/benefit analyses; and,
- Promote better integration of infrastructure decisions within larger strategic, community and land-use goals.

Budget Process

The City has initiated a different method of preparing its budget whereby Senior Management is more involved, as a team, to ensure staff view the budget not only from the perspective of their individual department needs but on a corporate-wide level and with a long-term outlook. This process has improved the overall understanding of the budget requirements and constraints.

Also, with the establishment of a Budget Standing Committee, the City budget is truly a year-round discussion. This process has enhanced our ability to provide information to Council and the public on budget matters, provide additional opportunity for review of processes, and create an environment that allows for more long-term planning.

Business Review Process

The City of St. Catharines now actively participates in a Business Review Process which uses Lean and Six Sigma as part of an ongoing effort to improve services or processes.

This process emphasizes employee involvement and teamwork – including staff from outside of the division that is the focus of the review to provide and with varying expertise and skills. The business process review helps to measure and systematize processes; and find areas of improvement which can result in more efficient use of time and personnel; eliminate duplication or redundancies; and potential cost savings.

Performance Measurement and Evaluation

With the new initiatives in place, the City is well positioned to continually evaluate the use of resources, financial implications and ways to enhance customer service and service delivery.

As well, as part of the Strategic Plan, the intent is to develop an online community dashboard to assist with performance measurement and progress reports for the public and Council to demonstrate how we are moving forward and achieving success.

Conclusion

Our Continuous Improvement Model is an ever-evolving process which has been supported and embraced by staff. It is a vital component in our plans to continue to move the City forward in a positive direction.

In consideration of all the initiatives as part of the Continuous Improvement Model, the City of St. Catharines does have internal controls in place, mechanisms for review, and opportunities to find efficiencies.

While staff does recognize value in an internal audit conducted by an external consultant, much of what can be achieved is part of the City's new approach and senior management's direction.

Recognizing that specialized areas of services or operations may require further review, there is the opportunity for future evaluations with the use of an external consultant for an internal audit, should it be warranted, as part of the Continuous Improvement Model. With respect to the current budget constraints, no funding has been identified in the 2016 budget to move forward with an external consultant for an internal audit.