

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 23, 2008

Item 1, Report No. 4, of the Audit and Operational Review Committee, which was adopted without amendment by the Council of the City of Vaughan on June 23, 2008.

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MAYOR'S EXPENSES FORENSIC AUDIT

The Audit and Operational Review Committee recommends that the verbal report of Mr. Bob Ferguson, Partner, Fraud Investigation & Dispute Services and Mr. Michael Vear, Senior Manager, Ernst & Young, Ernst & Young Tower, 222 Bay Street, P.O. Box 251, Toronto, M5K 1J7, be received.

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Item 2, Report No. 4, of the Audit and Operational Review Committee, which was adopted without amendment by the Council of the City of Vaughan on June 23, 2008.

2 CITY OF VAUGHAN/VAUGHAN PUBLIC LIBRARIES – JOINT SERVICES REVIEW

The Audit and Operational Review Committee recommends approval of the recommendation contained in the following report of the Deputy City Manager/Commissioner of Finance & Corporate Services, the Commissioner of Community Services and the Joint Services Review Committee, dated June 23, 2008:

Recommendation

The Deputy City Manager/Commissioner of Finance & Corporate Services, the Commissioner of Community Services and the Joint Services Review Committee recommends:

1. That Council adopt Option 3 of the Joint Services Review Committee, "Amend the original agreement to capture all the services that have evolved and are currently provided and further add/expand services and make it **mandatory** to utilize the services contracted for in the joint services agreement"; and
2. That the Joint Services Review Committee bring back a draft agreement with rationale and supporting information for Option 3.

Economic Impact

None at this time.

Communications Plan

Council direction be communicated to the Vaughan Public Libraries Board and to the Joint Services Review Committee.

Purpose

The purpose of this report is to provide Council and the Audit and Operational Review Committee with the Joint Services Review Committee's Interim Report and the Vaughan Public Libraries Board's decision regarding joint services.

Background - Analysis and Options

In 1994 the City of Vaughan and the Vaughan Public Library Board entered into a Joint Services Agreement, see Attachment 2. The agreement recognized that there is only one property tax payer and that there was an opportunity to achieve efficiencies without negatively impacting the provision of library services. The objective of joint services is to take advantage of the expertise and synergies through the sharing of support services.

Since that time various joint service models between public libraries and their local municipality have evolved. Currently there are several models across the GTA. There is a continuum, from the provision of very limited services to the complete integration of all back-office support services.

In the fall of 2007, Council and the Vaughan Public Libraries Board approved a Joint Services Review Committee. The Committee had representatives from both organizations.

The objective of the Joint Services Review Committee was to identify opportunities to achieve efficiencies and create a closer working relationship between the City of Vaughan and the Vaughan Public Libraries. The current agreement provides for the following:

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Services Provided to the Library by the City

Administration – Mailroom, Courier, Print shop
Human Resources
Legal
Purchasing
Payroll

Financial Services
Information and Technology Management
Property

Services Provided to the City by the Library

Library Meeting Rooms
Support Service for City Workshops
Special Reference and bibliographic services
Acquisition of resource materials

The Committee first reviewed the existing joint services agreement to understand the services provided, determine if they should be continued and possibly enhanced. The Committee also reviewed other municipal library models within the GTA, including the structure in the City of Mississauga which will be referred to as the “Mississauga model”. This Mississauga model takes joint services to the furthest extent possible under the current legislation, the Public Libraries Act.

Notwithstanding the list of services included in the original agreement, additional potential opportunities to enhance joint services and build a closer working relationship were identified.

These include the following:

- Planning and Managing Growth;
- Corporate Communications;
- Emergency Management;
- Call Centre; and
- Internal Audit.

These additional opportunities will be explored as part of updating and redrafting the agreement.

Based on the analysis the Committee developed four possible options as follows:

- 1) Operate under the original agreement;
- 2) Amend the original agreement to capture all the services that have evolved and currently provided;
- 3) In addition to capturing all services currently provided (Option 2), further add/expand services and make it **mandatory** to utilize the services contracted for in the joint services agreement;
- 4) Enter into a Memorandum of Understanding (MOU) to move to full integration of support services to the extent permitted under the legislation, i.e. “Mississauga Model”. There would be a dotted line reporting relationship to the Commissioner of Community Services. The MOU would recognize that further detailed analysis and an implementation plan is required.

Under Option 4 it was recognized that further analysis would be required particularly in the following areas, if a MOU was entered into.

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- 1) Impact of different union representation;
- 2) Impact of different rates of pay;
- 3) An assessment of the City's ability to absorb additional workloads;
- 4) Issues associated with integrating Library staff into the various City support departments;
- 5) Requirement for an integration plan, communication plan and timelines.

In January of 2008 the Committee presented its options to the Vaughan Public Library Board. After a lengthy discussion the Board recommended Option 3. A copy of the Library Board's resolution is provided as Attachment 1. Option 3 has two (2) important aspects. First it recognizes that the existing agreement is out of date and does not reflect all the services provided and the nature of the services. Secondly it makes it mandatory for the services contracted through the Joint Services Agreement to be mandatory. This aspect was not specifically identified in the existing agreement and joint services appear to have been considered as an option rather than a requirement. Examples include Labour Relations, Procurement, Information Technology and Legal services.

In addition to recommending Option 3, the Board requested the Committee bring back a draft agreement with rationale and supporting information.

Relationship to Vaughan Vision 2020

In consideration of the strategic priorities related to Vaughan Vision 2020, the report will provide:

- STRATEGIC GOAL: Service Excellence - Pursue excellence in service delivery.
Management Excellence - Enhance productivity, cost effectiveness and innovation.
- STRATEGIC OBJECTIVES: Consider opportunities for integrating library operations with the City.

Regional Implications

Not applicable.

Conclusion

The purpose of this interim report was to provide the Library Board and Council with information to assist them in their deliberations. The consensus of the Committee is that joint services should not only continue, but be expanded.

The adoption of Option 3 by Council will allow the Committee to proceed with drafting the agreement. Option 3 creates a closer working relationship between the two organizations. It also does not preclude further integration (Option 4) in the future.

Attachments

- Attachment 1 - Vaughan Public Libraries Board Motion, January 31, 2008
- Attachment 2 - Joint Services Review Interim Report

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Report Prepared By

Clayton D. Harris, CA
Deputy City Manager/Commissioner of Finance & Corporate Services
Ext. 8475

Marlon Kallideen
Commissioner of Community Services
Ext. 8501

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

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Item 3, Report No. 4, of the Audit and Operational Review Committee, which was adopted without amendment by the Council of the City of Vaughan on June 23, 2008.

3 CONTINUOUS IMPROVEMENT PROGRAM

The Audit and Operational Review Committee recommends approval of the recommendation contained in the following report of the City Manager and the Deputy City Manager/Commissioner of Finance & Corporate Services, dated June 23, 2008:

Recommendation

The City Manager and the Deputy City Manager/Commissioner of Finance & Corporate Services in consultation with the Internal Auditor recommend:

- 1) That the City of Vaughan formally engage in a Continuous Improvement Program as outlined in the following report; and
- 2) That the Audit and Operational Review Committee provide comments regarding the criteria and/or areas of focus.

Economic Impact

Funds in the amount of \$60,000 have been budgeted in the 2008 Operating Budget to undertake focused reviews in addition to the Internal Auditor's workplan.

Communications Plan

Once Council approval is received staff will work with Corporate Communications and Human Resources to communicate the initiative. The primary focus of the communication will be internal.

Purpose

To recommend to the Audit and Operational Review Committee a continuous improvement program designed to improve the allocation of resources, assignment of staff and ultimately service delivery to the residents of Vaughan.

Background - Analysis and Options

Council in 2004 approved the creation of an Internal Audit Function. Currently the Internal Audit Function consists of one (1) staff person and that individual has been systematically conducting audits across all City departments, including the Vaughan Public Libraries.

In 2007 Council amended the Audit Committee Terms of Reference and renamed the Committee the Audit and Operational Review Committee. There was an intent to go beyond a traditional internal audit program. To support the expanded role of the Committee, staff recommend the City formally engage in a continuous improvement program.

The core of the Continuous Improvement Program would be a series of detailed process and business model reviews directed at specific City services. The results generated by these reviews would be a combination of re-engineered service delivery processes (i.e. efficiency, value for money and service focused) and business models designed to achieve measurable service quality and productivity targets on an ongoing basis. Any excess resources identified by the program could be utilized or deployed against emerging City service delivery demands – an important aspect given Vaughan's growth driven service demand pressures and the ongoing challenges associated with building a sustainable City-wide service delivery business model. The program would be staged according to a coverage plan over the next few years.

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A critical step in the implementation of the proposed program is the identification of City services to participate in the detailed process and business model review. The identification process will be premised on selection criteria based on opportunities to implement a high value added performance improvement program and re-engineering “theme” across the corporation. Departments will have the benefit of external resources and expertise to undertake the reviews.

For example across the City there are numerous property tax supported service delivery processes which involve a series of repetitive service delivery or maintenance activities. These activities are delivered day after day in a similar fashion – often across multiple locations or to similar assets. Examples include winter road and sidewalk maintenance, park and sports field maintenance, facility maintenance, horticulture and tree maintenance, road platform and roadside preventative maintenance and by-law enforcement complaint responses. These are areas where methodologies and processes can be developed that could have a broader application across the City.

The Senior Management Team will be applying the following criteria to identify and prioritize the processes or services for review.

- 1) The cost of the service;
- 2) How the service is funded, i.e. Property taxes funded services are a priority;
- 3) Cost increases in recent years;
- 4) Concerns raised regarding the service;
- 5) Performance measurement trends; and
- 6) Readiness of the respective department.

To provide support and the necessary expertise, the performance improvement program will utilize external resources, however the Continuous Improvement Program will be undertaken “hand-in-hand” with the respective department. The success of the program is dependent on the engagement of management and front-line staff and their buy-in to the process and recommendations.

The internal auditor has allocated time in his audit workplan to support this program. He has a knowledge of the organization and his involvement will provide him with an opportunity for skills transfer from the external experts.

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not applicable

Conclusion

Across the organization the City has undertaken various reviews on an adhoc, case by case basis, however there has not been a formal corporate wide performance improvement program. A formal program based on established criteria and working closely with the respective departments provide a number of benefits, including:

- 1) Demonstrates support for departmental management;
- 2) Creates buy-in from the organization;
- 3) Creates consistency across the City;
- 4) Lessons learned can be applied to other areas; and

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5) Demonstrates the City's commitment to providing value for "your property tax dollar".

Staff recommend to formally engage in a Continuous Improvement Program.

Attachments

None

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4 INTERNAL AUDIT CHARTER AND 3 YEAR AUDIT WORK PLAN 2008-2010

The Audit and Operational Review Committee recommends:

- 1) That the recommendation contained in the following report of the City Auditor, dated June 23, 2008, be approved; and
- 2) That staff be directed to include an effective corporate communication strategy for the communication of audit report findings.

Recommendation

The City Auditor recommends:

That the Internal Audit Charter and 3 Year Audit Work Plan 2008-2010 be received.

Economic Impact

The Charter is the framework which governs the operation of the Internal Audit Department and is recommended by the Institute of Internal Auditors as being essential to the effective function of the Internal Audit department. It covers the Authority, Responsibility, Independence and Scope of the Internal Audit Department. There is no economic impact to the City as a result of the Charter.

The Internal Audit Department will use its own internal resources to complete the 3 Year Audit Work Plan, so there is no economic impact of hiring an outside consultant to perform any audit within the Work Plan.

Communications Plan

Not Applicable

Purpose

To present to the Audit and Operational Review Committee, the Internal Audit Department's Charter and 3 Year Work Plan for 2008, 2009, 2010.

Background - Analysis and Options

The Charter for the Internal Audit department of the City of Vaughan states that a multi-year work plan be developed using an appropriate risk-based methodology. This was appropriately done by the auditor who met with each commissioner to review operations under their authority. The final result which is the Work Plan, shows audits which are targeted to be completed in each of the 3 years. One month in each year has been allocated for special projects which are directed by the City Manager or the Audit and Operational Committee and will have preference to the audits in the Work Plan. Special projects longer than one month duration, will have the effect of pushing back the audits in the Work Plan. This could result in some audits targeted in the Work Plan to not be completed within the 3 year period.

For each of the audits in the work plan, the scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management process, system of internal control structure, and the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. The attached Charter includes in more detail the scope employed for most audits.

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Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not applicable

Conclusion

The Charter provides the framework within which the Internal Audit Department operates and is recommended to be essential to the effective function of the Internal Audit Department. It covers the Authority, Responsibility, Independence and Scope of the Internal Audit Department.

The Work Plan outlines the audits to be completed by the auditor and is subject to change as directed by the City Manager and Audit and Operational Committee. One month per year has been allocated for special projects as determined by the City Manager and/or Audit and Operational Committee. The Internal Audit department is committed to add value and improve the City's operations.

Attachments

Attachment 1- Internal Audit Charter

Attachment 2 – Internal Audit Work plan for 2008, 2009, 2010

Report prepared by:

Michael Tupchong, CA, CIA, CPA, CFE
City Auditor

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)