

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 16, 2016

Item 3, Report No. 2, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on February 16, 2016.

3 INTERNAL AUDIT REPORT – CORPORATE OVERTIME

The Finance, Administration and Audit Committee recommends:

- 1) That the recommendation contained in the following report of the Director of Internal Audit, dated February 1, 2016, be approved; and**
- 2) That the presentation by the Project Manager, Internal Audit and the Chief Human Resources Officer, and Communication C1, presentation material titled “*Corporate Overtime Audit*”, dated February 1, 2016, be received.**

Recommendation

The Director of Internal Audit recommends:

1. That the Internal Audit Report on the Audit of Corporate Overtime be received.

Contribution to Sustainability

Internal Audit activities and reports contribute to the sustainability of the City by providing advice and assurance that controls supporting the effective delivery of services and programs are effective. Longer term sustainability needs the support of good, efficient risk mitigation strategies. Internal Audit can provide support for that sustainability by providing independent advice and assurance.

Economic Impact

There are no direct economic impacts associated with this report.

Communications Plan

Not applicable.

Purpose

To present to the Finance, Administration and Audit Committee the Internal Audit Report on the Audit of Corporate Overtime.

Background - Analysis and Options

The City provides overtime pay to union employees and non-union employees at pay grade 5 or under when situations arise that require employees to work beyond their normally scheduled work hours. Some examples may include weather related or emergency events, impromptu requests, and to provide coverage for holidays and staff absences. Overtime is assigned at management's discretion.

Overtime related expenditures, including standby pay and meal allowances, were approximately \$2.9 million in 2014, \$3.2 million in 2013 and \$2.2 million in 2012. Overtime costs as a percentage of total payroll have been between 2.1% to 2.8% over this time period. Benchmark data from other local municipalities' overtime costs as a percentage of total payroll fall between 1.5% and 5.5% of their total payroll. It should be noted that other municipalities may have different service delivery models, fewer unionized positions and different policies, procedures and controls which make it difficult to compare and draw significant conclusions.

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Overtime related expenditures are a significant cost to the City and proper risk management strategies need to be in place to minimize the risk of potential waste and abuse, to ensure appropriate monitoring, analysis and reporting tools are working and that overtime use achieves the City's objectives.

The objective of the audit was to evaluate the adequacy and effectiveness of the internal controls, processes and procedures in place to mitigate the business risks associated with the use of overtime.

The audit was part of the 2015 to 2018 Risk Based Internal Audit Plan previously approved by the Finance, Administration and Audit Committee.

Relationship to Term of Council Service Excellence Strategy Map (2014-2018)

This report supports the Term of Council Priority: Continue to Advance a Culture of Excellence in Governance, and the Service Excellence Initiative: Demonstrating Value for Tax Dollars.

Regional Implications

Not applicable.

Conclusion

The City does not currently have the appropriate tools and controls in place on a corporate wide basis to assist management with determining whether overtime expenditures are reasonable. There is increased risk that overtime has become the go-to option as opposed to using data analytics and performance metrics to evaluate business processes and decisions that drive workload and capacity, which may better support residents' service level expectations in a more efficient and effective manner.

This conclusion is based on several factors:

- Time and labour related data not being captured in a manner that allows the organization to understand and analyze the reasons why overtime is used.
- The absence of a risk based framework for evaluating overtime and standby requirements.
- The absence of formal mechanisms to evaluate whether the work performed while on overtime was justified and cost effective.

The following organization wide improvements are required to better manage overtime:

- Analyzing existing service delivery models, resource requirements and overall labour mix to enhance decision making abilities that drive workload and capacity.
- Developing a better understanding of the drivers of overtime so that the effectiveness and efficiencies associated with overtime can be measured and reported.
- Leveraging advances in technology to better capture, analyze, monitor, budget and report on time and labour use.
- Implementing a corporate wide, risk based approach to determining overtime and standby requirements.

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- Developing a corporate wide policy and procedures for overtime and standby use and providing clarity on roles, responsibilities and expectations of staff.
- Understanding the impact of overtime on employee wellness, identifying departments/employees that may be at greater risk and developing appropriate employee monitoring and awareness initiatives.

We will follow up on the status of outstanding Management Action Plans related to this audit and will report the status to the Finance, Administration and Audit Committee.

Attachment

1. Internal Audit Report – Audit of Corporate Overtime

Report prepared by:

Kevin Shapiro CIA, CFE, CRMA
Audit Project Manager

(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.)