
Administrative Response – PricewaterhouseCoopers – Saskatoon Land Internal Audit Report

Recommendation

That the information be received.

Topic and Purpose

The purpose of this report is to provide the Administration's response to the recommendations in PricewaterhouseCooper's (PwC) Saskatoon Land Internal Audit Report.

Report Highlights

1. The Administration agrees with the recommendations made by PwC in the adherence to policy review.
2. The Administration agrees with the recommendation to increase awareness with Saskatoon Land staff regarding conflict of interest, and will review the current Administrative Policy to provide more certainty for employees of what constitutes a conflict of interest.
3. In regard to policy review, the Administration is in agreement with PwC's general assessment. Implementation of the recommendations based on other municipalities' policies will need to consider the competitiveness with local market realities, among other issues.
4. The Administration is in general agreement with PwC's recommendations to further review increased transparency in financial reporting.
5. PwC has suggested that the formation of a municipal land corporation bears attentive consideration.

Strategic Goals

This report supports the long-term strategy of providing a coordinated approach to customer service with quick and accurate responses under the Strategic Goal of Continuous Improvement. This report also supports the long-term strategy of creating a business-friendly environment where the economy is diverse and builds on our city and region's competitive strengths under the Strategic Goal of Economic Diversity and Prosperity.

Background

A comprehensive audit of the Land Bank Program was performed by the Office of the Auditor General in 1999. The audit reviewed the City of Saskatoon's (City) Land Development program objectives, reporting structure, authority, results, financial

reporting and pricing. One of the overall conclusions of the 1999 Audit report was that “the City remain an active participant in the Land Bank business”.

Saskatoon Land has since undergone the following audits/reviews on the Land Bank operation:

- 1999 – Audit Report on Land Bank Program
- 2000 – Civic Land Rental Revenue
- 2006 – Benchmarking Report on Land Bank Policies and Practices
- 2008 – Land Branch Revenue Collection Audit
- 2013 – Land Branch & Real Estate Services City-owned Land Rental Revenue Program Review
- 2014 – Saskatoon Land Inventory and Revenue System

At its August 15, 2016 meeting, the Standing Policy Committee on Finance (Committee) approved the scope for the current Saskatoon Land Internal Audit by PwC which consisted of the following seven procedures:

- Procedure 1 – Adherence to Policies
- Procedure 2 – Conflict of Interest
- Procedure 3 – Lot Prices/Lot Pricing Process
- Procedure 4 – Assessment of Policies
- Procedure 5 – Privacy, Access to Information and Financial Reporting
- Procedure 6 – Business and Governance Structure
- Procedure 7 – Risk Assessment

PwC’s final report of the Saskatoon Land Internal Audit, as well as its Risk Assessment, will be presented to the Standing Policy Committee on Finance at its May 29, 2017 meeting.

Report

The Administration’s detailed responses to PwC’s recommendations are provided in Attachment 1. The following sections of this report summarize the major themes identified for the recommendations provided by PwC.

Procedure 1: Adherence to Policies

PwC has provided 12 recommendations under this procedure to “both improve Saskatoon Land compliance in certain areas and to address certain items in policy with the Committee to ensure that policies are applied consistently going forward and that the Committee is comfortable with the discretion being exercised in the administration of the policies.”

The Administration generally agrees with the recommendations made, and in some instances, is already in the process of implementing procedures and proposing policy changes to address known issues (i.e. changes to payment terms and lot purchase requirements).

A common theme identified by PwC in the adherence to policy analysis is the Administration's use of discretion in administering Council policies and internal procedures. In administering the various policies reviewed, Saskatoon Land has realized that it is inherently difficult to formulate a policy directive that encompasses all potential occurrences and issues that may arise in the day-to-day operation of the City's land development/sales business.

Generally speaking, the various policies that guide the Administration in the operation of the Land Development program have worked well. However, changing market conditions in Saskatoon over the last few years have demonstrated that some long-standing policies and procedures are no longer relevant or may require amendments to provide the Administration with the ability to operate more effectively. Over the past three years, the Administration has proposed eight distinct policy amendments to the core policies that guide staff in the day-to-day operation and sale of City-owned lands. The recent audit by PwC has confirmed that further Council Policy adjustments will be necessary to ensure that these guiding documents are providing the Administration enough flexibility to fulfill the mandate of the Land Development program, and that City Council is comfortable with the proposed approach.

In the instances of unintentional errors identified by PwC in Procedure 1, the Administration self-identified many of these prior to the internal audit and initiated steps to improve procedures to ensure the same errors are not repeated in the future.

Procedure 2: Conflict of Interest

PwC provided two recommendations to increase corporate awareness of conflict of interest. The Administration agrees with the recommendation to increase corporate awareness regarding conflict of interest and will work with the Corporate Performance Department to propose amendments to Administrative Policy No. A04-006, Employee Conflict of Interest, which will provide more certainty not only to Saskatoon Land staff, but also to all other civic employees, of what precisely constitutes a conflict of interest.

Procedure 4: Assessment of Policies

The Administration is in agreement with the general assessment of PwC's policy review. In considering the three specific recommendations made under this procedure and the comparisons to other municipalities, the Administration also notes the need to understand the processes and practices used by other developers that sell land in the Saskatoon market. Having policies and practices in place that allow Saskatoon Land to operate competitively within the local market place is critical to the continued success of the Land Development program.

Procedure 5: Privacy, Access to Information and Financial Reporting

PwC provided four recommendations regarding financial reporting aimed at improving transparency. While the Administration agrees with the recommendations for enhanced financial reporting, it should be noted that current reporting is not in violation of any accounting standards, as confirmed annually by the external auditor.

The proposed implementation dates for PwC's Recommendations 1-21 are noted in Attachment 1.

Procedure 6: Business and Governance Structure

Under this procedure, PwC provided a high-level analysis and opinion that the “institution of a municipal land corporation (MDC) bears attentive consideration by the Standing Policy Committee on Finance.” Furthermore, PwC indicated most, if not all, of the recommendations provided in the report can also be achieved under the current structure.

While the formation of an MDC for some or all of the City’s land development activities may be a viable alternative to the current structure, further analysis will be required before the Administration can develop its own opinion on this suggested governance option.

Public and/or Stakeholder Involvement

Many of the recommendations made by PwC will require the Administration to propose policy amendments for Standing Policy Committee on Finance/City Council consideration.

Engagement with various stakeholders will be required prior to finalizing any significant changes to current Council policies.

Communication Plan

Completion of an updated communication plan for the public and business community will be developed to increase the understanding of the City’s current mandate and benefits of the City’s involvement in the land development business.

Policy Implications

Implementation of audit recommendations will require changes to current Council policies; therefore, future reports will be presented proposing these changes.

Due Date for Follow-up and/or Project Completion

Reports regarding the implementation of audit recommendations will be forthcoming in the near future.

Public Notice

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

Attachment

1. Saskatoon Land Internal Audit – Administrative Response

Report Approval

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