
Saskatoon Land Internal Audit Implementation Progress Report

Recommendation

That the report of the CFO/General Manager, Asset and Financial Management Department, dated August 7, 2018, be forwarded to City Council for information.

Topic and Purpose

The purpose of this report is to provide a progress report on implementation of the internal auditor's recommendations as per the Saskatoon Land Internal Audit.

Report Highlights

1. Saskatoon Land's approach to implementing the internal auditor's recommendations involved grouping of similar recommendations impacting specific policies together for efficiency and ease of understanding.
2. The majority of the implementation work focused on recommendations from Procedures 1 and 4.
3. Two recommendations from Procedure 2 relating to conflict of interest have been addressed through the Administration's recent update to Administrative Policy No. A04-006.
4. New financial reporting has been implemented as recommended under Procedure 5.
5. To date, 16 of the 21 recommendations from the internal auditor have been implemented/completed.

Strategic Goals

This report supports the long-term strategy of increasing productivity by being more efficient in the way the City of Saskatoon (City) does business 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 the city and region's competitive strengths under the Strategic Goal of Economic Diversity and Prosperity.

Background

At its August 28, 2017 meeting when considering the internal auditor's report on Saskatoon Land operations, City Council resolved, in part:

- “3. That the Administration implement the auditor's recommendations and bring an update in one year with a progress report.”

The internal audit brought forward 21 recommendations for the following 7 procedures:

- Procedure 1 – Adherence to Policies (12 recommendations)
- Procedure 2 – Conflict of Interest (2 recommendations)
- Procedure 3 – Residential Lot Prices/Lot Pricing Process (no recommendations)
- Procedure 4 – Assessment of Policies (3 recommendations)
- Procedure 5 – Privacy, Access to Information and Financial Reporting (4 recommendations)
- Procedure 6 – Business and Governance Structure (no recommendations)
- Procedure 7 – Investment Risk (no recommendations)

Report

Implementation Plan

Upon completion of the Saskatoon Land Internal Audit Report, the Administration commenced implementation of the internal auditor's recommendations. Some recommendations had been implemented prior to the audit's release, as many concerns had been self-identified and corrected by the Administration during the audit review period.

In preparing reports for Standing Policy Committee on Finance consideration and City Council approval for policy amendments, similar recommendations were grouped together in order to achieve efficiencies in reporting and ease of understanding. In addition, priority was assigned to recommendations that impacted Administration's ability to successfully market land and compete in the changing market place.

Procedures 1 and 4 – Adherence to Policies and Assessment of Policies

Procedures 1 and 4 of the internal audit contained the most recommendations for implementation. The following list highlights audit recommendations that were considered by the Standing Policy Committee on Finance and subsequently approved by City Council:

- January 23, 2017 – Recommendations 1 and 16 concerning interest and payment terms under Council Policy No. C09-006, Residential Lot Sales – General Policy, were updated. Payment terms are now approved by the Standing Policy Committee on Finance when considering reports on new land offerings. This allows Administration to adapt to changing market conditions and set rates and terms that reflect current conditions in the local economy.
- September 25, 2017 – Recommendations 10 and 12 considered matters involving the time frame to build requirement under Council Policy No. C09-006, Residential Lot Sales – General Policy. The Administration clarified when the time frame to build requirement commences, what substantiates completion of a home under the policy and amended the criteria used for determining build time extensions.

- Recommendations 5 and 17 relate to lot cancellations under Council Policy No. C09-006, Residential Lot Sales – General Policy. The proposed amendments provide Administration the ability to initiate the cancellation of Agreements for Sale, which currently can only be initiated by the purchaser. After receiving feedback through an Eligible Contractor survey, Administration is not recommending any changes to the lot return calculation fee. This report will be presented for Standing Policy Committee on Finance consideration at its August 7, 2018 meeting.
- Recommendation 8 was that the Administration review Council Policy No. C09-001, Residential Lot Sales – Contractor Allocations, in relation to the level of discretion required to manage outstanding accounts. Saskatoon Land is proposing an amendment to the policy that provides specific criteria to be met when considering a sale to a builder with an outstanding account. This report will also be presented for Standing Policy Committee on Finance consideration at its August 7, 2018 meeting.

The remaining recommendations associated with the implementation of Procedures 1 and 4 are detailed in Attachment 1, which are recommendations primarily related to Saskatoon Land procedures. Saskatoon Land's internal procedure manuals have been updated to address the recommendations and have been provided to the internal auditor for review.

Procedure 2 – Conflict of Interest

This procedure of the audit dealt specifically with conflict of interest and whether adequate safeguards exist to prevent employees from being placed in a position of conflict. As City employees, Saskatoon Land staff are required to adhere to Administrative Policy No. A04-006, Employee Conflict of Interest, which was recently updated on June 1, 2018. The Administration believes this policy, along with the recently updated Employee Code of Conduct, are sufficient in clearly defining what constitutes a conflict situation for Saskatoon Land employees, which was the intent of the recommendation. In addition, improved awareness of conflict of interest and opportunities to declare conflict of interest during regular division meetings has been implemented as recommended by the internal auditor.

Procedure 5 – Privacy, Access to Information and Financial Reporting

Recommendation 20 suggested Saskatoon Land examine additional financial information that could be incorporated into its annual report. A template for Statement of Earnings was presented to the Standing Policy Committee on Finance at its January 8, 2018 meeting, and the completed Saskatoon Land 2017 Annual Report was presented to the Standing Policy Committee on Finance at its June 5, 2018 meeting.

The two remaining recommendations (18 and 19) involve segmented reporting and the budgeting process. These matters will be fully addressed during the implementation of the new Enterprise Resource Planning (ERP) system.

Summary

To date, 16 of the 21 recommendations have been implemented/completed. Three additional internal audit recommendations will be addressed in reports from the CFO/General Manager, Asset and Financial Management Department, to the Standing Policy Committee on Finance for consideration at its August 7, 2018 meeting.

Attachment 1 provides further detail regarding the internal auditor's recommendations and Saskatoon Land's implementation progress to date.

Public and/or Stakeholder Involvement

Saskatoon Land provided the internal auditor with a compilation of how the audit recommendations were implemented and included a list of new processes and procedures resulting from the implementation. The internal auditor is satisfied with the implementations.

Due Date for Follow-up and/or Project Completion

A further update on implementation of the outstanding recommendations will be provided as the plan for ERP is finalized.

Public Notice

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

Attachment

1. Saskatoon Land Audit Implementation Progress Report

Report Approval

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