



*Office of the Auditor General / Bureau du vérificateur général*

**FOLLOW-UP TO THE 2007 AUDIT OF  
2006 and 2007 COMPENSATION BUDGETS  
2010**

**SUIVI DE LA VÉRIFICATION DE 2007 DES BUDGETS  
DE RÉMUNÉRATION DE 2006 ET 2007**



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## Table of Contents

EXECUTIVE SUMMARY .....	i
RÉSUMÉ.....	v
1 INTRODUCTION.....	1
2 KEY FINDINGS OF THE ORIGINAL 2007 AUDIT OF 2006 AND 2007 COMPENSATION BUDGETS.....	1
3 STATUS OF IMPLEMENTATION OF 2007 AUDIT RECOMMENDATIONS ...	2
4 SUMMARY OF THE LEVEL OF COMPLETION .....	9
5 CONCLUSION.....	9
6 ACKNOWLEDGEMENT.....	10



## EXECUTIVE SUMMARY

### *Introduction*

The Follow-up to the 2007 Audit of the 2006 and 2007 Compensation Budgets was included in the Auditor General's audit plan.

The key findings of the original 2007 audit included:

- Compensation/Benefit budgets for 2006 and 2007 were overstated by more than \$8 million; and,
- The overstatement was initially reported to Council as being due to savings from staff vacancies even though correspondence indicated that management was aware that the overstatement actually related to compensation benefits and not staff vacancies.

The audit identifies other opportunities for improvement including:

- Developing a budget policy, to create a provision for expected staff vacancies at the beginning of the budgeting process; and,
- Ensuring that as soon as overstated budgets are identified that are sustainable, the corresponding base budget adjustment be made and reported to Council.

### *Summary of the Level of Completion*

1. The table below outlines our assessment of the level of completion of each recommendation as of Summer 2010.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	4	1	25%
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	-	-	-
SUBSTANTIALLY COMPLETE	75 – 99	1, 3	2	50%
COMPLETE	100	2	1	25%
TOTAL			4	100%

2. The table below outlines management's assessment of the level of completion of each recommendation as of Fall 2010 in response to the OAG's assessment. These assessments have not been audited.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	-	-	-
SUBSTANTIALLY COMPLETE	75 – 99	1	1	25%
COMPLETE	100	2, 3, 4	3	75%
TOTAL			4	100%

### **Conclusion**

Substantial progress has been made towards implementing most of the recommendations.

A Vacancy Allowance Policy has been established which includes a vacancy allowance target of 1.6% of the department's total compensation budget plus an unallocated vacancy provision of \$7.4 million representing approximately 1% which applies to all City portfolios and departments. However, this does not cover the Transit Services Department which represents approximately 20% of total compensation. In August 2010, management has indicated that Transit Services is committed to working with their partners in Finance to complete this work by Q2 2011.

Management has indicated that any budget adjustment of a permanent nature would have been captured in the 2009 budget documents under the "2008 Baseline Adjustments". This was illustrated by the example of the elimination of approximately 100 vacant full time positions which appears in the 2009 budget under the "2008 Baseline Adjustments" heading.

A review of budget adjustments related to the unallocated budgeted vacancy provision for 2009 and 2010 show that the Budget and Financial Planning Unit (BFP) of the Corporate Finance Branch generates a variance report for compensation. They would identify to the Financial Support Unit (FSU), on a cost centre basis, the potential amounts of additional vacancy allowance that could be allocated. This is usually done on the same frequency as the Operating Status reports.

The OAG recommended that the variance analysis for compensation and non-compensation line items be segregated on a line basis and reported to Council in order to increase transparency and prevent surpluses in one area offsetting deficiencies in another area. The recommendation remains outstanding as management continues to disagree.

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***Acknowledgement***

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.



## RÉSUMÉ

### *Introduction*

Le Suivi de la vérification de 2007 des budgets de rémunération de 2006 et 2007 était prévu dans le Plan de vérification du vérificateur général.

Les principales constatations de la vérification de 2007 sont les suivantes :

- Les budgets de 2006 et de 2007 consacrés à la rémunération et aux avantages sociaux ont été surestimés de plus de 8 millions de dollars;
- Initialement, il a été mentionné au Conseil que la surestimation était attribuable aux économies engendrées par les postes vacants. Toutefois, la correspondance échangée indique que la direction savait pertinemment que la surestimation était en fait liée à la rémunération et aux avantages sociaux et non aux postes vacants.

La vérification a cerné d'autres possibilités d'amélioration, dont les suivantes :

- Élaborer une politique budgétaire qui tiendrait compte dès le début du processus budgétaire des postes vacants;
- S'assurer que les budgets surestimés qui sont jugés durables sont rajustés à partir du budget de base dès qu'ils sont déterminés, puis soumis au Conseil municipal.

### *Sommaire du degré d'achèvement*

1. Le tableau ci-dessous présente notre évaluation du degré d'achèvement de chaque recommandation à l'été 2010 :

CATÉGORIE	POURCENTAGE COMPLÉTÉ	RECOMMANDATIONS	NOMBRE DE RECOMMANDATIONS	POURCENTAGE DU TOTAL DES RECOMMANDATIONS
PEU OU PAS DE MESURES PRISES	0 – 24	4	1	25 %
ACTION AMORCÉE	25 – 49	-	-	-
COMPLÉTÉE EN PARTIE	50 – 74	-	-	-
PRATIQUEMENT COMPLÉTÉE	75 – 99	1, 3	2	50 %
COMPLÉTÉE	100	2	1	25 %
TOTAL			4	100 %

2. Le tableau ci-dessous présente l'évaluation de la direction concernant le degré de réalisation de chaque recommandation à l'automne 2010 en réponse à l'évaluation du Bureau du vérificateur général. Ces évaluations n'ont pas fait l'objet d'une vérification.

CATÉGORIE	POURCENTAGE COMPLÉTÉ	RECOMMANDATIONS	NOMBRE DE RECOMMANDATIONS	POURCENTAGE DU TOTAL DES RECOMMANDATIONS
PEU OU PAS DE MESURES PRISES	0 – 24	-	-	-
ACTION AMORCÉE	25 – 49	-	-	-
COMPLÉTÉE EN PARTIE	50 – 74	-	-	-
PRATIQUEMENT COMPLÉTÉE	75 – 99	1	1	25 %
COMPLÉTÉE	100	2, 3, 4	3	75 %
TOTAL			4	100 %

### **Conclusion**

Des progrès notables ont été réalisés dans la mise en œuvre de la plupart des recommandations.

Une politique d'allocation pour postes vacants a été établie qui comprend une cible d'allocation pour postes vacants de 1,6 % du budget total de rémunération du service et une réserve non affectée pour postes vacants de 7,4 M\$, représentant 1 % et s'appliquant à tous les portefeuilles et services de la Ville. Cependant, le Service du transport en commun, qui compte pour environ 20 % de la rémunération totale, n'est pas couvert. En août 2010, la direction a indiqué que le Service de transport en commun s'est engagé à travailler avec ses partenaires de Finances afin d'achever ce travail d'ici le 2<sup>e</sup> trimestre de 2011.

La direction a déclaré que tout ajustement budgétaire de nature permanente aurait été capturé dans les documents budgétaires de 2009 sous la rubrique « Ajustements de référence de 2008 », ce qu'illustre l'exemple de l'élimination d'environ 100 postes à temps plein vacants qui apparaissent dans le budget de 2009 sous la rubrique « ajustements de référence de 2008 ».

Un examen des ajustements budgétaires liés à la réserve non affectée pour postes vacants budgétée pour 2009 et 2010 montre que l'Unité du budget et de la planification financière de la Direction des finances municipales génère un rapport sur les écarts concernant la rémunération. Ce rapport permet de cerner pour l'Unité des services financiers, en fonction des centres de coût, les montants possibles d'allocation supplémentaire pour postes vacants qui pourraient être alloués. Ces rapports sont généralement émis à la même fréquence que les rapports concernant les dépenses de fonctionnement.

Le BVG a recommandé que l'analyse des écarts pour les postes liés à la rémunération et non liés à la rémunération soit établie par poste et qu'il en soit fait rapport au Conseil afin d'améliorer la transparence et d'éviter un excédent dans un

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domaine qui compenserait une insuffisance dans un autre. La recommandation reste en suspens puisque la direction n'est toujours pas d'accord.

### ***Remerciements***

Nous tenons à remercier la direction pour la coopération et l'assistance accordées à l'équipe de vérification.



## 1 INTRODUCTION

The Follow-up to the 2007 Audit of the 2006 and 2007 Compensation Budgets was included in the Auditor General's audit plan.

The key findings of the original 2007 audit included:

- Compensation/Benefit budgets for 2006 and 2007 were overstated by more than \$8 million; and,
- The overstatement was initially reported to Council as being due to savings from staff vacancies even though correspondence indicated that management was aware that the overstatement actually related to compensation benefits and not staff vacancies.

The audit identifies other opportunities for improvement including:

- Developing a budget policy, to create a provision for expected staff vacancies at the beginning of the budgeting process; and,
- Ensuring that as soon as overstated budgets are identified that are sustainable, the corresponding base budget adjustment be made and reported to Council.

## 2 KEY FINDINGS OF THE ORIGINAL 2007 AUDIT OF 2006 AND 2007 COMPENSATION BUDGETS

### Budget Process

1. All approved Full Time Equivalent (FTEs) are included in the compensation budgets. Vacancies are not accounted for, which potentially results in an overstated budget. To some degree this is captured through the vacancy gapping provision defined as savings from vacancies, which was introduced in 2003 as a percentage of compensation costs. In addition there was a temporary gapping program introduced in August 2007 as an interim measure. The overall gapping provision is an arbitrary number, which leaves room for manipulation. There is no evidence that this reflects expected vacancies and timing delays encountered during the hiring process. A budget policy should be developed where a provision for staff vacancies is created in place of gapping. The provision for staff vacancies should be appropriately supported by analysis of approved and vacant FTEs with a calculation of vacancy rates. This provision for vacancies should not be used as a budget pressure or solution but should be identified at the beginning of the budgeting process when the budget is first set prior to any budget adjustments.
2. The budget process and the tools used to create the budgets are manual. The budgets are prepared on multiple Excel spreadsheets outside of SAP and are then entered into SAP. In many cases, variance analysis and forecasting is performed outside of SAP, again on multiple Excel spreadsheets. There are no controls in place in the current planning and budgeting system to ensure proper

allocation and reallocation of resources in response to changing priorities and initiatives throughout the year. Consideration should be given to using SAP or other planning tools.

### **2006/2007 Overstatement of the Benefits Budget**

1. The Financial Support Units, in the fall of 2006 and early 2007, calculated the overstatement of the benefits budget and discussions took place at the time on how to account for it. The total overstatement of the benefits budget was \$10 million from which Financial Services deducted \$2 million to cover base compensation shortfalls. This resulted in a net overstatement of benefits budgeted in 2006 of \$8 million.
2. Executive Management Committee (EMC) disclosed the overstatement of benefits as gapping to Council as an option to achieve the 2007 budget target. Correspondence via e-mails indicates that management was aware that the overstatement was in fact related to benefits, not gapping.
3. Council was not made aware of the deliberations around the \$8 million in overstated benefits.
4. During the course of this audit, senior management claimed that the \$8 million only came to light after the 2007 budget was approved. Correspondence amongst Financial Support Units on which the City Treasurer was copied contradicts this claim. Senior management claimed that there was uncertainty around the \$8 million benefits overstatement and that it was carried forward to 2007 in order to conduct a more comprehensive analysis and that it was put in gapping until the analysis could be completed.
5. Before the completion of this audit, in August 2007, a City Treasurer's report to Corporate Services and Economic Development Committee and Council indicated that a more comprehensive analysis revealed an over-allocation to the budget for employee benefits in the amount of \$8.7 million. The City Manager acknowledged at Council the confusion around this issue. The issue being audited has now been rectified.

## **3 STATUS OF IMPLEMENTATION OF 2007 AUDIT RECOMMENDATIONS**

### **2007 Recommendation 1**

**That Financial Services develop a budget policy to create a provision for staff vacancies in place of gapping. This provision for staff vacancies should be identified at the beginning of the budgeting process and should not be used as a budget pressure or solution.**

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**2007 Management Response**

Management agrees with this recommendation.

Financial Services will develop a policy by Q4 2008 that will define the corporate direction on the use of gapping for budgeting purposes. The policy will be based on analysis of vacancies and brought to Executive Management Committee for approval. This responds to the intent of the recommendation as “Gapping”, by definition, provides for anticipated vacancies that result from employee turnover throughout the course of a year.

**Management Representation of the Status of Implementation of Recommendation 1 as of December 31, 2008**

The Vacancy Allowance Policy was approved by EMC and brought to Council on October 22, 2008.

*Management: % complete* *100%*

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**OAG’s Follow-up Audit Findings regarding Recommendation 1**

The Vacancy Allowance Policy was brought to Council October 22, 2008 as part of the Quarterly Operating Status Report. The Policy includes a vacancy allowance target of 1.6% of the department’s total compensation budget plus an additional unallocated vacancy provision of \$7.4 million representing approximately 1%. Compliance to the policy requirements has not been included in the scope of the follow-up of this recommendation.

The Policy applies to all City portfolios and departments except the Transit Services Department. The report noted that Transit Services had been excluded from this Policy due to their unique operational situation; that a vacancy policy specific to Transit Services will be established in future years; and, that in the interim the existing vacancy provision in the 2008 budget has been transferred to the Transit Services productivity improvements target. In August 2010, Management has confirmed that Transit Services has not developed a Vacancy Allowance Policy at this time and that Transit Services is committed to working with their partners in Finance to complete this work by Q2 2011. Since Transit represents approximately 20% of the total compensation, we consider this recommendation 80% complete.

*OAG: % complete* *80%*

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**Management Representation of Status of Implementation of Recommendation 1 as of Fall 2010**

Management agrees with the OAG’s follow-up audit finding. Transit Services will work with Finance to develop a Vacancy Allowance Policy by the end of Q2 2011.

*Management: % complete* *80%*

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**2007 Recommendation 2**

That management ensure that as soon as overstated budgets that are sustainable are identified, that they be adjusted from the base budget and reported to Council.

**2007 Management Response**

Management agrees with this recommendation.

Financial Services already identifies areas of potential surplus or deficit in the Operating Status Report, which is provided quarterly to Council. In the development of the 2008 draft budgets, staff reviewed their 2007 forecasts, as provided in both the June 30 and September 30, Quarterly Status Reports to assess whether any surplus situations are over provision of budget base requirements or are a one-time occurrence. Where these are deemed to be of a permanent nature, these savings have been identified separately in the 2008 draft budget submissions, under the resource requirements analysis page of each branch submission. Based on these existing practices, no further action is required.

**Management Representation of the Status of Implementation of Recommendation 2 as of December 31, 2008**

No further action required. In the development of the 2009 draft budget estimates, Finance staff will be reviewing the 2008 forecasts to determine whether any compensation savings exist that are of a permanent nature.

*Management: % complete* *100%*

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**OAG's Follow-up Audit Findings regarding Recommendation 2**

Management has indicated that any adjustment of a permanent nature would have been captured in the 2009 budget documents under the "2008 Baseline Adjustments". This was illustrated by the example of the elimination of approximately 100 vacant full time positions which appears in the 2009 budget under the "2008 Baseline Adjustments" heading.

*OAG: % complete* *100%*

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**2007 Recommendation 3**

That Financial Services review existing controls around the budget process including systems to clearly identify variances to Council.

**2007 Management Response**

Management agrees with this recommendation.

Financial Services continually reviews and improves both the budget process and reporting mechanisms to Council. The Quarterly Operating Status Report provided to Council shows actual spending and revenues against the amounts budgeted by department and branch and the second and third quarter reports include a forecast of the year-end position by branch. Where these variances are sustainable, the corresponding adjustment to the base budget is identified and reported to Council as part of the draft budget document. As this is an on-going responsibility of Financial Services there is no associated completion date for this recommendation.

### **Management Representation of the Status of Implementation of Recommendation 3 as of December 31, 2008**

This is an on-going responsibility of Financial Services, therefore, there is no associated completion date for this recommendation.

*Management: % complete*

*100%*

### **OAG's Follow-up Audit Findings regarding Recommendation 3**

As indicated, for 2009 and 2010, management has provided Quarterly Operating Status Reports to Council.

Management has indicated that where variances are sustainable, the corresponding adjustment to the base budget is identified and reported to Council as part of the draft budget document. The draft budget documents for 2009 and 2010 contain sections for Baseline Adjustments / Explanations and Forecast versus Budget Explanations relating to the prior year budget. As noted in the OAG comments for recommendation 2, this was illustrated in the 2009 budget documents under the "2008 Baseline Adjustments" heading by the example of the elimination of approximately 100 vacant full time positions.

The 2008, 2009 and 2010 compensation budgets adopted by Council and reported to the public on the City's website were compared to the adopted budgets which appear in SAP, the City's financial reporting system. These amounts matched for 2008 but there were differences for 2010 and 2009 in the amounts of approximately \$2,200,000 and \$384,000. In both cases the amounts in SAP for compensation were higher than the amounts in the final budget document adopted by Council which was posted on the website.

For 2010, management has indicated that while the total expenditures in SAP match those in the budget book, the compensation budget numbers differ. They have indicated that the compensation numbers in SAP are the correct values as they reflect a more detailed examination of the actual future expenditures. Management provided a reconciliation of the differences. The largest difference related to Fire Services which has a branch productivity savings target of \$2.7 million which in SAP is shown under a non-compensation cost element but has been included in the adopted budget book in the compensation line.

For 2009, management has indicated they do not have the ability to match SAP to the budget book because the data has been revised to reflect the reorganization in 2009-2010 and that a large re-organization retracing of all changes that happened would require many man hours from Finance staff. They indicated that consistent with 2010 explanations of differences, productivity is reported by cost element and that in the budget book savings could be reflected in both the productivity and compensation line. Management has indicated that there was also a difference in the overall expenditure budget as a portion was actually revenue related.

In our opinion, although the above explanations were reasonable, in future the adopted budget amounts for compensation and other cost elements in SAP should directly match the Council adopted budget. This would help ensure that the budget amounts approved by Council and reported to the public are properly managed and controlled.

For 2010, this final budget document including the tax and rate supported budget was not reported on the website until after July 20, 2010 which management explained took longer than normal due to staff turnover in the Financial Services Branch.

A review of budget adjustments related to the unallocated budgeted vacancy provision for 2009 and 2010 show that the Budget and Financial Planning Unit generates a variance report for compensation and identifies on a cost centre basis the potential amounts of additional vacancy allowance that could be allocated. This is usually done on the same frequency as the Operating Status reports. Management explained that the Financial Support Unit would review the potential amount based on their knowledge of staffing actions such as hiring, vacancies and retirements and would provide a budget adjustment with their determination of the amount of vacancy allowance based upon their review. The allocated amount would never be recorded to exceed the overall budgeted amount of 1% of compensation. The BFP would not review detailed supporting documentation relating to adjustment amounts provided by the FSU.

A review of four examples of compensation savings under the heading of Forecast versus Budget Variance Explanations in the 2009 and 2010 budget documents showed that for only one of the examples totalling \$515,000, the FSU had detailed analysis to the position level net of any additional compensation to support the gapping amounts. In the other three examples totalling \$2,600,000, the current FSU was only able to provide the rationale for the forecasts that had been done at a high level by the former FSU in consultation with their client and was unable to provide a detailed analysis to the position level. Although savings would be identified, in the absence of a detailed analysis the correct reason or explanation for the variance may not be reported.

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*OAG: % complete**95%*

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### **Management Representation of Status of Implementation of Recommendation 3 as of Fall 2010**

Management agrees with the OAG's follow-up audit finding that, in future, the adopted budget amounts for compensation and other cost elements in SAP should directly match the Council adopted budget.

Further progress has now been made on the implementation of this recommendation. Control processes have been incorporated into the various budget documents to ensure that the compensation and other cost element groupings match the SAP information.

Management considers implementation of this recommendation to be complete.

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*Management: % complete**100%*

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### **2007 Recommendation 4**

**That Financial Services ensure the variance analysis for compensation and non-compensation line items be segregated on a line basis in order to increase transparency and that surpluses in one area do not offset deficiencies in the other and that the report be provided to Council.**

### **2007 Management Response**

Management disagrees with this recommendation.

The Operating Status Report provided to Council on a quarterly basis shows actual spending and revenues against the amounts budgeted by department and branch. The second and third quarter reports include a forecast identifying areas of surplus or deficit that need closer monitoring. In addition, a compensation schedule showing actual salary and benefits along with overtime costs incurred by department and branch is provided.

Non-compensation items are not presented on a line basis in the quarterly status reports. It is the responsibility of the branch directors to ensure effective management and delivery of programs within approved resources and to make decisions that consider the overall effective use of resources for the benefit of the organization. Situations may arise where temporary shortages in available staff resources result in the requirement to deliver a program or service through the use of purchased services, which would be funded by the savings in the compensation budget accounts. Without this latitude to utilize budget funds in this manner, the ability of directors to effectively manage and deliver programs and services would be compromised.

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**Management Representation of the Status of Implementation of Recommendation 4 as of December 31, 2008**

For discussion at an upcoming CAWG meeting. OAG Note that CAWG was dissolved and their mandate assumed by the Audit, Budget and Finance Committee (ABFC) which was approved as part of the Mid-Term Governance Review in June 2009.

*Management: % complete* **0%**

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**OAG's Follow-up Audit Findings regarding Recommendation 4**

This recommendation has not yet been implemented.

*OAG: % complete* **0 %**

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**Management Representation of Status of Implementation of Recommendation 4 as of Fall 2010**

Management continues to disagree with the recommendation for the reasons given in the 2007 Management Response. Management believes that transparency exists given that actual compensation costs against budget are reported in the quarterly status reports.

With respect to the potential surpluses being used to offset deficiencies in other areas; management continues to be of the opinion that managers require the latitude to ensure effective program delivery within the total budgeted resources for their program, be it compensation or non compensation budgets. However, in order to prevent such temporary situations from permanently increasing the approved staff complement, modifications were made to the wording of the Delegation of Authority By-Law in 2009 to clarify that budget adjustments made for these temporary situations may not result in an increase in the permanent staff complement. A section of the by-law reads as follows:

*...(managers) are authorized to make operating budget transfers within a department involving any type of expenditure which does not impact the Council-approved mandate of the department and maintains or improves the current service level to the public provided that,*

*(a) such transfers do not result in an increase to the department's compensation budgets in current and future years; and*

*(b) the number of full time equivalent positions within the department is not increased.*

Management considers implementation of this recommendation to be complete.

*Management: % complete* **100%**

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## 4 SUMMARY OF THE LEVEL OF COMPLETION

1. The table below outlines our assessment of the level of completion of each recommendation as of Summer 2010.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
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SUBSTANTIALLY COMPLETE	75 – 99	1, 3	2	50%
COMPLETE	100	2	1	25%
TOTAL			4	100%

2. The table below outlines management's assessment of the level of completion of each recommendation as of Fall 2010 in response to the OAG's assessment. Some of these assessments have not been audited.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
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ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	-	-	-
SUBSTANTIALLY COMPLETE	75 – 99	1	1	25%
COMPLETE	100	2, 3, 4	3	75%
TOTAL			4	100%

## 5 CONCLUSION

Substantial progress has been made towards implementing most of the recommendations.

A Vacancy Allowance Policy has been established which includes a vacancy allowance target of 1.6% of the department's total compensation budget plus an unallocated vacancy provision of \$7.4 million representing approximately 1% which applies to all City portfolios and departments. However, this does not cover the Transit Services Department which represents approximately 20% of total compensation. In August 2010, management has indicated that Transit Services is committed to working with their partners in Finance to complete this work by Q2 2011.

Management has indicated that any budget adjustment of a permanent nature would have been captured in the 2009 budget documents under the “2008 Baseline Adjustments”. This was illustrated by the example of the elimination of approximately 100 vacant full time positions which appears in the 2009 budget under the “2008 Baseline Adjustments” heading.

A review of budget adjustments related to the unallocated budgeted vacancy provision for 2009 and 2010 show that the Budget and Financial Planning Unit (BFP) of the Corporate Finance Branch generates a variance report for compensation. They would identify to the Financial Support Unit (FSU), on a cost centre basis, the potential amounts of additional vacancy allowance that could be allocated. This is usually done on the same frequency as the Operating Status reports.

The OAG recommended that the variance analysis for compensation and non-compensation line items be segregated on a line basis and reported to Council in order to increase transparency and prevent surpluses in one area offsetting deficiencies in another area. The recommendation remains outstanding as management continues to disagree.

## **6 ACKNOWLEDGEMENT**

We wish to express appreciation to the staff and management for their cooperation and assistance throughout the audit process.