# Table of Contents

## Section

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>0. How to Read This Report</td>
<td>2</td>
</tr>
<tr>
<td>1. Part 1: Key Findings</td>
<td>3</td>
</tr>
<tr>
<td>1.1 Background and Context</td>
<td>4</td>
</tr>
<tr>
<td>1.2 Approach and Methodology</td>
<td>8</td>
</tr>
<tr>
<td>1.3 Findings and Opportunities – Internal Audit</td>
<td>15</td>
</tr>
<tr>
<td>2. Part 2: Detailed Operating Models</td>
<td>20</td>
</tr>
<tr>
<td><strong>Appendices</strong></td>
<td></td>
</tr>
<tr>
<td>Appendix A: Opportunities Considered but Not Preferred</td>
<td>23</td>
</tr>
</tbody>
</table>
The purpose of this document is to summarize the work completed over the course of this engagement relating to the identification and analysis of opportunities for shared services across the City of Toronto. This report constitutes the final deliverable for this project.

Procedures consisted of analysis of City and agency-provided information, jurisdictional research, interviews with key stakeholders from within the City and across the agencies, as well as the leading practice knowledge and expertise of KPMG resources.

The audience for this report is the City Manager, who has commissioned the Shared Service Efficiency Study on behalf of Council. The report has been produced for the sole purpose of review, validation, and refinement by the City Manager’s Office (CMO) and those with explicit permission by the CMO. Thus, the report may not be edited, distributed, published, made available or relied on by any other person without the express written permission by KPMG or City Manager’s Office.

The CMO is responsible for the decisions to implement any options contemplated as a result of the Shared Service Efficiency Study and for considering their impact. Implementation of these opportunities may require the CMO to plan and test any changes to ensure that the City of Toronto will realize satisfactory results.

All media inquiries about the Core Services Review project and this report should be directed to the City Manager’s Office.

Limitations

- The main focus of this study was identifying opportunities for sharing services among City divisions and agencies. KPMG did not perform detailed assessment of the effectiveness or efficiency of City services.

- The financial analyses of costs or savings associated with shared service opportunities included in this report is estimated based on the data provided by the City and its agencies as well as external benchmarks and the experience of KPMG. These calculations should not be utilized for budgeting purposes. The actual annual savings percentages realized will vary from those presented, and such variance may be material. Actual annual savings are highly dependent on future City-driven decisions and activities.
1.0 Part 1: Key Findings

This section of the report summarizes the key findings, observations, opportunities and recommended operating models, providing a high-level narrative of the detailed business cases and opportunities contained in Part II. This section of the report also includes analysis regarding the financial impact and implementation of the shared service operating models.
1.1 Background and Context

This section of the report outlines the context, within which the City is undertaking this initiative.
Background and Context

In 2011, faced with significant budget challenges and supported by a new political direction, the City undertook a series of reviews aimed at identifying opportunities for delivering municipal services in a more sustainable, efficient and effective manner. Wide ranging in scope and nature, these reviews uncovered a number of areas, in which improved collaboration, coordination, and sharing of services could yield improvement in service levels and reduce service delivery costs. The Core Service Review, conducted by KPMG, specifically identified corporate support functions within the City and across agencies as candidates with high potential for shared service operating models.

This year, due to combination of cost savings and greater than expected revenues, the budget pressures have eased. However, the business case for more efficient, effective, and value-added shared service models across City agencies is as valid as it was a year ago. Taxpayers expect their government to operate in an efficient manner, and internal stakeholders (staff, management, etc.) expect service levels for corporate support services to stabilize or improve. Furthermore, credit rating agencies are seeking fiscal stability to maintain the City’s credit rating. According to Moody’s, “… [the agency expects] the City to gradually work towards a permanent solution to the existing operating budget pressures”. Shared service structures, when implemented properly, could be required to meet these expectations.

With that backdrop, in considering KPMG’s Core Service Review Final Report, the Executive Committee of the Council recommended that: “the City Manager review opportunities identified in the KPMG report related to efficiencies through shared service models for communications, facilities management, fleet, real estate, information technology, legal services, human resources and finance and administration for all City divisions and large City agencies, including Toronto Library, Toronto Police, Toronto Transit Commission, Toronto Zoo, and other agencies as appropriate; and incorporate as appropriate in the 2012 and 2013 budget process”.

Independently, Toronto’s Auditor General has also put forward suggestions for a shared service approach in nine service areas including accounting, audit, financial information systems, fleet services, information technology, human resources, legal services, procurement, and real estate management. His conclusions were based on previous audit results submitted to Council.

Collectively, these recommendations have formed the basis for a review, which described the manner in which the City and its agencies could share business support services with the objective of reducing costs, increasing service efficiency and effectiveness, and improving customer service. In May of 2012, the City issued a tender for consulting services to undertake such a review to a roster of qualified firms (REOI # 9144-11-7001). Through a competitive process, KPMG was selected as the successful vendor for this assignment.
Background and Context

Introduction to Shared Services

The concept of sharing services across multiple organizations or functional units is relatively straightforward. Essentially, individual agencies carry out a number of corporate support functions, which, when analyzed across multiple agencies and divisions, may exhibit duplication, overlap, and redundancy. Furthermore, the fragmented nature of services often prevents efficiencies and expertise from being built up in individual organizations, leading to higher costs and potentially lower service levels.

Shared service structures aim to address these gaps and inefficiencies by bringing together resources, functions, processes, and skills from dispersed organizational units. These arrangements thus create economies of scale, increase standardization, pool skill sets, and often generate critical mass required to yield a positive return on new investments (i.e., information technology, process reengineering, automation, etc.). As a result, due to sharing of services, organizations are able to experience lower process costs, improved productivity, better quality of outputs, and ultimately enhanced internal customer satisfaction levels.

However, it is important to recognize that in reality, the nature, structure, and scope of shared service arrangements can vary dramatically, depending on a number of factors. These include the maturity of existing organizations, business objectives of each unit/agency, uniqueness of in-scope functions, readiness and capacity for change, and other organizational, technological, cultural, and financial considerations. As a consequence, exploration and development of shared service models need to take into account these often highly complex factors to arrive at a solution that creates value for all parties involved. Thus, from a practical perspective, creation of mutually beneficial structures for sharing of services is neither simple, nor straightforward. It requires significant analytical rigor, proofs of concept from prior cases, extensive stakeholder engagement, multiple validation stages, and thoughtful implementation planning. These were the project elements the City requested in its statement of work for this assignment.
Background and Context

Scope of Work

In June of 2012, the City engaged KPMG to conduct a shared service review involving City divisions and the following six organizations:

- Exhibition Place (EP)
- Toronto Parking Authority (TPA)
- Toronto Police Service (TPS)
- Toronto Public Health (TPH)
- Toronto Public Library (TPL)
- Toronto Transit Commission (TTC)

The City identified the following eight functions as priorities for shared services:

- Human Resources/Labour Relations (HR/LR)
- Information Technology (IT)
- Insurance and Risk Management (IRM)
- Internal Audit (IA)
- Legal Services (LS)
- Purchasing and Materials Management (PMM)
- Records Management (RM)
- Real Estate (RE)

Project goals included identifying, developing, and assessing opportunities to deliver corporate services in a more horizontal manner, in contrast to the fragmented state of delivery currently. This concept and the in-scope functions and agencies are demonstrated in the figure below.

As part of the project, the City required KPMG to validate priority areas, conduct jurisdictional research on leading practices and municipal comparators, assess current state of service delivery, propose operating models for future state shared services entities, and develop an implementation plan for each priority function.

Upon the completion of the project, the City expected to be presented with actionable plan of how to move forward in implementing shared services structures within the City and across the six agencies.

The next section of this report outlines our approach and methods employed in completing this assignment.
1.2 Approach and Methodology

This section of the report outlines the method applied by KPMG to deliver the scope of work required by the City.
As per the City’s Statement of Work, the purpose and intent of the Shared Service Efficiency Study included:

- Identifying opportunities for shared services across City divisions and agencies for common services and functions, with the objective of reducing costs, increasing service efficiency and effectiveness, and improving customer service
- The results of the Shared Services Efficiency Study will be reported to the City Manager for decision making and potential escalation to City Council, where appropriate
- It is Council’s responsibility to make final decisions about when services should exceed legislated or leading practice standards, required service levels, and ultimately to determine which services are delivered

The following list describes key consideration points and expectations which guided the execution of the study:

- The process was seen as fact-based, evidence-driven and objective
- The unique elements of each organization were considered and retained
- Agency and City stakeholders were involved in identification of options and development of models
- KPMG leveraged leading practices and industry benchmarks available at its disposal to contribute to the development of shared service models and standards
- Approach did not include a pre-defined solution
- The City Manager was provided with information that is in an “implementation-ready” state

The engagement will conclude in January 2013, and resulted in the following deliverables:

- A Project Charter
- Identification of priority functions and opportunities for shared services
- Shared service operating models for priority functions, including supporting business cases and implementation plans
- A report describing leading practices in shared services in the public sector
- A final report summarizing the findings of the Shared Service Efficiency Study (this document)
- Presentations to the Shared Services Steering Committee, as required
Projects of this nature require a very clear governance structure, unambiguous roles and responsibilities, and well-defined accountabilities. The City Manager chaired a Steering Committee to oversee and guide the work of the Shared Services Efficiency Study. The Steering Committee was composed of the City Manager and the Deputy City Managers and was supported by the Director, Strategic & Corporate Policy Division and other key senior staff as required including Human Resources, Financial Planning, Executive Management, and Strategic Communications.

Throughout the engagement KPMG liaised with the City Manager’s Office in order to access information and stakeholders, and to provide overall project management for the Study. The specific roles of the City Manager’s Office and KPMG are listed below:

<table>
<thead>
<tr>
<th>City Manager’s Office</th>
<th>KPMG</th>
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<tbody>
<tr>
<td>Provision of background documentation of relevance to the Efficiency Study</td>
<td>Identification of opportunities and potential models for shared services</td>
</tr>
<tr>
<td>Provision of access to key informants for the purposes of gathering and analyzing data</td>
<td>Implementation planning for models with high potential</td>
</tr>
<tr>
<td>Provide, validate, and verify accuracy of all financial and budget data and all other available information related to particular functions and entities</td>
<td>Conduct a jurisdictional review of shared services in other public sector entities</td>
</tr>
<tr>
<td>Project communications to stakeholders</td>
<td>Provision of high-level costs savings resulting from implementing shared services</td>
</tr>
<tr>
<td>Decisions regarding the implementation of operating models arising from this review</td>
<td>Support the City at Council Committee presentations, as needed</td>
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The engagement did not include the following activities, which were deemed to be out of scope for the Study:

- Identification or analysis of efficiency and effectiveness opportunities which do not relate to shared services
- Review or analysis of additional functions or organizations which were not identified in the Statement of Work
- Detailed articulation of cost savings potential to be achieved through shared service opportunities
- Management decisions on what actions to pursue with respect to shared services
To meet the objectives of this review, KPMG analyzed the scope and nature of services delivered under each of the in-scope functions and organizations, identified opportunities the City could potentially undertake to adopt shared services, and designed operating models to support the implementation of each opportunity. The Study consisted of six broad phases and is visually depicted below. Specific techniques and methods used in our analysis and formulation of opportunities are presented on the following pages.

### Approach and Methodology

#### Project Work Plan

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
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<tbody>
<tr>
<td>1. <strong>Launch</strong></td>
<td>Confirming project scope, governance, work plan and timelines</td>
</tr>
<tr>
<td>2. <strong>Focus</strong></td>
<td>Identifying functional areas with the highest potential for shared services</td>
</tr>
<tr>
<td>3. <strong>Learn</strong></td>
<td>Analyzing models employed and key success factors in other jurisdictions</td>
</tr>
<tr>
<td>4. <strong>Insight</strong></td>
<td>Assessing current range of services and standards and developing business cases for shared services</td>
</tr>
<tr>
<td>5. <strong>Design</strong></td>
<td>Designing service delivery models that meet efficiency and customer service objectives</td>
</tr>
<tr>
<td>6. <strong>Implement</strong></td>
<td>Developing implementation plans and cost savings projections</td>
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1. **Confirmation of Focus Areas**
2. **Analysis of Functional Areas**
3. **Leading Practice Review**
4. **Assessment of Current Operating Model**
5. **Design of Target Operating Model**
6. **Implementation Planning and Closeout**
The scope of the review entailed analysis of seven organizations (agencies and the City) across eight business services functions. This presented a challenge, in which 56 possible permutations of shared service opportunities would need to be analyzed. To attain focus and allow for depth of analysis, the team employed a “top-down” approach to prioritization based on what was most material, practical, and feasible.

The use of selection criteria assisted the Steering Committee to select service delivery models with the greatest potential for organizational success and the greatest value for the City of Toronto. The selection criteria utilized to filter and choose the most feasible and valuable opportunities for examination are described in the table below.

### Table 3 – Selection Criteria

<table>
<thead>
<tr>
<th>Selection Criteria</th>
<th>Rationale and Desired Attributes</th>
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<tbody>
<tr>
<td>Size and scope</td>
<td>Reflects the degree of impact across the organizations. Service delivery models with larger footprints are preferred to those that affect a small number or scope of organizations and services.</td>
</tr>
<tr>
<td>Proof of concept</td>
<td>Service delivery models which have been demonstrated to be successful in our own organization and other jurisdictions will be preferred to those which have not.</td>
</tr>
<tr>
<td>Appetite for change</td>
<td>Service delivery models which result in minimal organizational resistance or which are accompanied by a strong desire for change are preferred.</td>
</tr>
<tr>
<td>Cost savings</td>
<td>Service delivery models which create the greatest cost savings (including the cost the implement) are preferred.</td>
</tr>
<tr>
<td>Implementable</td>
<td>Service delivery models which adversely affect or disconnect a service from its core business are not preferred. Moreover, services that are highly standardized across divisions or agencies are preferred.</td>
</tr>
<tr>
<td>Time horizon</td>
<td>Service delivery models which can be implemented in the short term will be preferred to those which require greater lengths of implementation timelines.</td>
</tr>
<tr>
<td>Service excellence</td>
<td>Operational service delivery attributes that are well-advanced and have the capacity to take on additional scope.</td>
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</tbody>
</table>
While some opportunities are straightforward and require minimal further analysis to be implemented, other opportunities are conceptual or complex in nature, and require detailed analysis and planning to guide their implementation. Thus, following the selection of opportunities by the Steering Committee, a tiered approach was utilized to determine the level of analysis to be applied to each opportunity. Opportunities were stratified as either Tier 1 or Tier 2.

- Tier 1 opportunities received detailed analysis, including the development of a supporting business case and implementation plan to guide the realization of the opportunity.
- Tier 2 opportunities received a high-level description of the nature and scope of the opportunity, including key considerations for implementation.

### Operating Models

**Tier 1 - Shared Services Operating Model**
- Detailed description and analysis of the model, including:
  - Summary of the current state
  - Overview of the proposed model
  - Service delivery standards
  - Analysis of the benefits, drawbacks, & risks
  - Enablers and dependencies
  - Implementation considerations

**Tier 2 – Opportunity Description**
- Brief description of the model, including:
  - Overview of the proposed model
  - Analysis of the benefits, drawbacks, & risks
  - Implementation considerations, including cost, savings and change management considerations
KPMG used four sources of input to perform the assessment:

- Background documentation, data, and financial information provided by the City and its agencies at the request of KPMG
- Jurisdictional review of public entities and government bodies who have undertaken shared service initiatives. These included municipal, regional, and provincial/state governments similar in size and profiles
- Input and validation from City of Toronto and agency staff, including senior management. Numerous interviews and workshops were held with City and agency representatives (see Appendix C for a list of engaged stakeholders) to identify and subsequently review shared service opportunities
- KPMG experience, including KPMG’s Global Shared Service Centre of Excellence. KPMG involved its own senior employees with specialized expertise related to a particular function to identify opportunities and leading practices to inform analysis and development of opportunities
1.3 Findings & Opportunities

The following subsections of the report summarize the current state, observations, issues and recommended operating models for shared services.
Findings and Opportunities

Internal Audit

Current State
Formal Internal Audit (or similarly mandated) functions exist in four of the seven organizations reviewed as part of this study: TPS, TTC, TPA, and the City. Other organizations (TPH and EP) have previously relied on the City’s Internal Audit resources to conduct required reviews. These agencies are billed through internal charges for the services provided by the City’s IA Division. TPL does not have an Internal Audit function but have occasionally contracted external auditing resources to conduct ad hoc reviews (e.g., business expenses).

TPS Audit and Quality Assurance Unit, which houses 14 employees (including five uniformed officers), carries out a variety of auditing functions, some of which are mandated by the Police Services Act. These include standards regulation compliance audits, risk based operational and financial audits, program reviews, and special projects, among others. The unit functionally reports to the Chief of Police, with administrative reporting relationship to the Administrative Command.

TTC Internal Audit group is comprised of ten people, including five auditors, three audit managers, a Director (currently filled with an Acting role) and an Administrative Assistant. In the past year, the group has undergone an internal reorganization, which resulted in staff figures being reduced from approximately 20 positions to the current complement. Typical audits conducted by the group include major construction projects (e.g., Toronto York Spadina Extension, Union Station), operations (e.g., subway cars, plants, infrastructure), internal processes (procurement, contract management, attendance management), and other capital and controls audits.

TPA has one Internal Auditor and four Audit Clerks, who primarily develop Standard Operating Procedures and subsequently conduct operational audits to determine compliance with those procedures. Group members also maintain inventory of keys for meters on the street and test meters to verify they are functioning properly.

The Internal Audit Division of the City is comprised of seven audit professionals (three management and four staff) and one administrative assistant. The group reports directly to the CMO and works closely with cluster heads and divisional managers. The majority of the work performed entails operational audits, very few financial audits, and some special projects and advisory services. In addition to serving City divisions, the IA group also provides services to TPH and EP, and in the past has conducted audits for the CNE. Remuneration for this work is provided through an inter-departmental charge to the serviced agencies.
Current State (cont.)
In addition to the formal IA function, several City divisions have quality assurance groups that perform quality reviews, procedural compliance reviews, and internal investigations. For example, Employment and Social Services; Children Services; Shelter, Support and Housing Administration Division; and Toronto Water divisions, among others, have similarly mandated quality functions. Stakeholders from these organizations point out that the nature of work performed aligns closer to the “continuous improvement” and “customer service” initiatives rather than internal audit activities, suggesting that alignment with the IA group is limited.

Observations and Issues
Several observations were noted over the course of KPMG’s review of the IA function across the City and its agencies. While some coordination takes place among IA professionals, the nature, scope and formality of professional interaction is limited. For example, several functional leads participate in industry associations and seminars, where they discuss ongoing and emerging issues, audit protocols, and leading practices. However, there is no formal collaborative group within the City and among agencies to bring internal auditors together on a regular basis. Furthermore, there is little evidence of leveraging of expertise across agencies to augment existing resources with knowledgeable and experienced professionals from sister organizations.

Quality assurance groups within the City also appear to operate on a highly siloed and fragmented basis. Their processes, procedures, and protocols vary significantly due to different levels of functions’ organizational maturities and lack of cross-pollination of expertise and leading practices among colleagues.

In organizations without a formal Internal Audit or Quality Assurance functions, the expertise required to conduct independent operational, organizational, or financial reviews may be lacking. Executives in these agencies often bring in external auditors, which in some circumstances may be costlier than engaging the City’s Internal Audit division, especially if the latter have capacity to conduct the reviews.
Shared Service Opportunities
As part of the analysis, KPMG explored the possibility of consolidating Internal Audit and Quality Assurance functions across all agencies and divisions of the City. However, there was little evidence that would suggest that such an arrangement would be beneficial to all participating organizations. TPS quality assurance function is mandated by the Police Services Act (PSA), while the value of other Internal Audit and Quality Assurance functions (e.g., TTC, TPH) lies in the knowledge of organization’s specific operations, policies and procedures, as well as in the direct relationship with the agency executives. Pooling all internal audit resources into one entity would likely disrupt these relationships and distance auditing professionals from each entity’s operations. We believe that the benefits from such an arrangement would not be substantial. Our view is that collaborative structures and formalized coordination mechanisms would be of greater value to the City with minimal required investments. Two models featuring such collaborative structures have been proposed and are detailed below.

Recommended Operating Model 1: Quality Assurance Center of Excellence
We believe that the City’s Quality Assurance professionals would benefit from a formal collaborative structure. Consequently, we recommend establishing a Quality Assurance Centre of Excellence (CoE) to be accessed by staff currently performing quality assurance functions across the City divisions. The CoE is a community of practice which meets at defined times (e.g., quarterly) with commitment from existing staff and the objective of increasing the maturity of quality assurance within the City by promoting collaboration and offering standards, methodologies, tools, and knowledge repositories for the members. This proposed model seeks to enhance standardization of quality assurance within the City, thereby improving service delivery levels and compliance. A variation of this model sees the CoE expanded in scope to include broader internal audit functions, as well as extending membership to other organizations and agencies.
Recommended Operating Model 2: Use of IA Resources by Agencies
To better use existing capabilities and save fees paid to external professional services firms, we recommend that in-scope agencies that currently do not have an internal audit function should utilize the City’s Internal Audit division for their respective compliance, assurance and business risk consulting needs. Agencies that are potential customers of this model include TPL, TPH, and EP, which do not possess extensive internal audit capabilities. While it is understood that the IA division is currently being utilized by some of the organizations listed above, this is not the case for all agencies and the City is not used exclusively in all cases. It is proposed that IA services be charged back to the agencies based on the time and effort required for the services rendered. In proposing this model, we assume that the IA division has the capacity required to assist agencies to identify and address their audit requirements, while reducing organizational risk and increasing service levels.

Additional Model for Consideration: Internal Audit Working Group
Currently, some internal audit professionals across the City meet through external forums to share their experiences and learn about internal audit leading practices. We believe that an internal working group focused on internal audit may be of additional value to the City, as it would provide the City and its agencies an opportunity for all internal audit leads to share lessons learned and leading practices, collaborate, and optimize their use of resources. Moreover, such a forum could lead to strengthened working relationships across the City and a cross-pollination of skills and knowledge. The working group structure and frequency of interactions should be determined by the internal audit professionals in the City and agencies.
Part II of the report includes the detailed description of the operating models and associated analysis. All Internal Audit opportunities were categorized as “Tier 2” opportunities. As such, they received one-page summaries.
Internal Audit – IA Division Used as Primary Resource by Agencies Without IA Function

Summary of Proposed Operating Model

Description
The model proposes that in-scope City agencies that currently do not have an internal audit function within their organization should utilize the City’s Internal Audit Division (IAD) for their respective compliance, assurance and business risk consulting needs.

Agencies that are potential customers of this model include TPL, TPH and EP, which do not possess extensive internal audit capabilities. While it is understood that the IAD is currently being utilized by some of the organizations listed above, this is not the case for all agencies and the City is not used exclusively in all cases. Moreover, this model could be extended to other agencies which are out of scope for this review (e.g., TCHC).

It is proposed that IA services be charged back to the agency based on the time and effort required for the services rendered.

Rationale/Benefit
Currently, some agencies do not perform internal audit activities or do so on an ad hoc basis. In other instances, agencies may outsource their audit needs to external professional service firms. The internal audit division has the capacity and expertise required to assist agencies to identify and address their audit requirements while reducing organizational risk and increase service levels.

Benefits
- Increased compliance and decreased risk for organizations that do not currently procure internal audit services
- Access to an internal audit service provider with knowledge and understanding of City agencies
- Long-term savings could be realized through a reduction in risk, increased compliance, and increased efficiency

Drawbacks and Risks
- For those organizations not performing audit activities today there will be an increased cost associated with accessing a new service
- Potential cost associated with the addition of staff to build capacity within Internal Audit Division (IAD). Both cost categories are dependent on the demand for services, which is defined by the size and nature of the customer’s organization and their respective risk profiles

Key Considerations
- Further discussions and data is required to understand potential candidates for the service
- IAD should market its services to assist customers to understand when and how IAD should be used
- Customers require assurance that IAD staff will be specifically dedicated to their organization in order to build and retain knowledge of the respective organization’s risk profiles, operating models, history, etc.
- Clear and specific service level agreements must be developed and utilized with customers. This should include defining the customer or sponsor of the IAD findings, and defining expectations around response and actions on the part of the agency
Description

The model proposes to establish a Quality Assurance Centre of Excellence (CoE) within the City of Toronto to be accessed by staff currently performing quality assurance functions across the City. The scope and definition of quality assurance activities would be refined and validated by the members of the CoE, but could include activities relating to risk management, customer service, continuous improvement, value for money, and ensuring compliance with standards or legislation.

The CoE is a community of practice which meets at defined times (e.g., quarterly) with commitment from existing staff and the objective of increasing the maturity of quality assurance within the City by promoting collaboration and offering standards, methodologies, tools and knowledge repositories for the members. It is proposed that the CoE be run out of the City Manager’s Office (CMO), in that the CMO would coordinate and drive the mandate of the CoE. However, representatives from multiple City divisions would work together to develop the content and outputs for the CoE, as well as participating in discussion forums.

A variation of the model proposes to expand the services and membership of the CoE to City’s agencies, and to increase scope beyond quality assurance and continuous improvement (e.g., broader internal audit functions, etc.).

Rationale / Benefit

Currently, multiple divisions within the City conduct some level of quality assurance activities with varying degrees of maturity and expertise observed across these divisions. The model seeks to contribute to the maturity and standardization of quality assurance within the City, thereby improving service delivery levels and compliance.

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Drawbacks and Risks</th>
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<tbody>
<tr>
<td>■ The adoption of leading practices and standards for QA across the City</td>
<td>■ Participation in the CoE will require dedicated time and effort from members whose time is perceived to be at capacity</td>
</tr>
<tr>
<td>■ Increased access to subject matter experts</td>
<td>■ Accessing specialized resources may be complex given the shared funding arrangements of some divisions</td>
</tr>
<tr>
<td>■ Increased collaboration and sharing among City divisions</td>
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</table>

Key Considerations

■ Members must define current state gaps and areas of opportunity for the CoE to target
■ Clear delineation of roles and responsibilities for the CoE, CMO and customers is required
■ Managing the assignment of additional work and responsibilities to resources who are currently operating at capacity
■ Marketing and communicating the objectives and directives of the CoE across the organization
Appendix A:

Opportunities Considered but Not Preferred
Opportunities Considered but Not Preferred

Over the course of the engagement, multiple opportunities were identified and considered for implementation. A number of factors contributed to the determination as to whether an opportunity should move forward for analysis, including feedback from stakeholders during workshops, KPMG’s experience, and the application of selection criteria designed by the Steering Committee. In the end, not all opportunities considered were preferred or recommended for implementation across the City. The following describe such opportunities under the Internal Audit function and briefly explain the rationale for their exclusion.

Internal Audit

An opportunity that was considered for implementation across the City was a **centralized and consolidated internal audit function** serving all City divisions and agencies. The opportunity proposed to consolidate (and potentially reduce) internal audit staff from across the City and its agencies to create a single entity for internal audit services. The model did not move forward for further consideration and is not considered preferable due to the specific operational requirements of two of the larger agencies within scope, TPS and TTC. There was little evidence that would suggest that such an arrangement would be beneficial to all participating organizations. TPS quality assurance function is mandated by the Police Services Act (PSA), while the value of other Internal Audit and Quality Assurance functions (e.g., TTC, TPH) lies in the knowledge of organization’s specific operations, policies and procedures, as well as in the direct relationship with the agency executives. Pooling all internal audit resources into one entity would likely disrupt these relationships and distance auditing professionals from entity’s operations. We believe that the benefits from such an arrangement would not be substantial. Specific barriers which inhibit this model include:

- Differing risk profiles among agencies, requiring differing levels of internal audit services;
- Differing security clearance requirements of auditors;
- Legislative requirements stipulated in the Police Services Act which require TPS to maintain an internal quality assurance function performed by uniformed officers; and
- The requirement for a high level of knowledge and understanding of operational processes and procedures within each agency.

Overall, it is perceived that the issues listed above prevent the standardization of working papers, processes and overall consolidation of the function. These issues are also perceived to preclude internal audit activities from being outsourced to external professional services firms. Moreover, a centralized model was not observed in any jurisdiction that was reviewed during this engagement.
The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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