



**Office of the Auditor General  
Annual Report - 2021**



**December 2021**

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## Message from the Auditor General



It is with great pleasure that I table my first Annual Report. This report outlines the accomplishments and work carried out by the Office of the Auditor General (OAG) in 2021. One of the most critical achievements was the establishment of a vision for the Office.

**OAG Vision: “To be recognized as a knowledgeable, collaborative, and respected leader in governance, control, and risk management and in building trust in our municipal government.”**

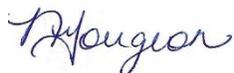
The Dalai Lama once said “a lack of transparency results in distrust and a deep sense of insecurity.” In taking stock of the OAG’s role in building public trust in our municipal government, we identified increased transparency as one of our key guiding principles to further our success in supporting Council.

In the spring of 2021, we started releasing our reports in advance of Audit Committee meetings to provide stakeholders the opportunity to read, digest, and reflect on the results of our work, as well as be better positioned to ask our team the tough questions.

We continued our journey of transparency through our continued efforts in building collaborative relationships with the City’s administration and members of Council. These candid discussions led to significant changes in how and when we follow-up on past audit recommendations, as well as the manner and timeliness in which the results of our work are reported to Council. In addition, we have increased flexibility in our workplan and taken a more agile approach to auditing key initiatives to provide timely and relevant insights to Council. All of these successes were achieved while managing through a pandemic and ever-changing priorities.

I am very proud of the work my team has accomplished over the short period of time since my arrival. I would personally like to thank all the members of my team for their extraordinary contribution to the Office and its success this year. Furthermore, I would like to extend my appreciation to the City Manager and the senior leadership team for their openness and willingness to collaborate through the many changes that have been initiated in my first year.

Respectfully,



Nathalie Gougeon, CPA, CA, CIA, CRMA, B.Comm.  
Auditor General

## Our Mandate

The Auditor General is responsible for assisting City Council in holding itself and City administrators accountable for the quality of stewardship over public funds and for achievement of value for money in City operations. The Auditor General's Office is independent of management and has the authority to conduct financial (excluding attest), compliance, and performance audits of the following:

- all programs, activities, and functions of all City departments and agencies, and of the offices of the Mayor and Members of Council;
- local boards of the City;
- municipally controlled corporations;
- grant recipients; and,
- any other agencies, boards, commissions, and corporations as Council may from time to time create or identify.

More information surrounding the Auditor General's position and duties, including statutory powers can be found in the [Auditor General By-Law No. 2021-05](#) as well as our [audit charter](#) on our website.

## Our Team

Our team is comprised of four Senior Auditors and one Auditor that are responsible for conducting the audit work and assisting in the triage and investigation of reports received through the Fraud and Waste Hotline. They are supported by two Deputy Auditor Generals who oversee the audits and investigations conducted by our Office and liaise with members of the senior leadership team. All members of the team, including the Auditor General, are supported by our Senior Executive Assistant who manages the day-to-day administration of the Office.



## Our Audits

This year our Office reported on four audits and performed follow-up procedures on 102 recommendations. Taking into consideration the City's pandemic priorities and the onboarding of the new Auditor General, the Office used the opportunity to focus on the execution of follow-up audit procedures, conducting a self-assessment of our Office as well as reviewing and updating internal processes and policies. This enabled the OAG to decrease requests made to City staff to allow them to focus on pandemic related priorities. A summary of each audit reported to the Audit Committee in 2021 can be found below.

### Fleet Services

The objective of this audit was to review the City's fleet services functions to provide City Council with reasonable assurance that the City's key systems, practices and procedures related to fleet are operating with due regard for economy, efficiency and effectiveness. We concluded that there were opportunities to:

- increase the efficiency and effectiveness of certain fleet management processes; and
- improve the design and performance of controls surrounding invoice review and the prevention of repetitive maintenance at OC Transpo.

We made 6 recommendations which were accepted by management.

### Long-term Disability Benefits Processing

The overall objective of this audit was to provide Council with reasonable assurance that the City of Ottawa's management of the Long-Term Disability Benefits program is adequate.

While we concluded the program is adequate, the audit identified a few areas for improvement, including:

- having clearer and better communicated roles, responsibilities, guidance, procedures, and service standards to prevent delays, inefficiencies, and inconsistencies when processing LTD claims and managing LTD benefits; and
- an opportunity to improve how the processing of LTD claims is monitored to better assess whether corrective actions are required.

We made 4 recommendations which were accepted by management.

**Competitive Procurement Process**

The objective of this audit was to provide reasonable assurance regarding the City's competitive procurement process.

We found that the City's competitive procurement process generally adheres to the principles of openness, fairness and transparency and is conducted in accordance with the City's Procurement Bylaw and related regulatory requirements.

The audit noted opportunities to improve certain procurement processes. These include documenting the rationale of how sustainability is considered and/or incorporated within a specific procurement and formalizing a conflict-of-interest process and guidance. We also observed that the City faces several challenges in developing requirements and specifications.

We made 4 recommendations which were accepted by management.

**Grants and Contributions**

The objective of this audit was to assess whether the City has adequate grant and contribution (G&C) administration practices.

We found that G&C funding departments are generally in adherence with the City's G&C policy and procedures. All G&C programs sampled were approved by Council and have clearly defined purposes, objectives and eligibility criteria. Programs with a selection and approval stage were found to have objectively evaluated applicants and made selections based on documented criteria. Payments were made in accordance with funding agreements and reported accurately on Ottawa.ca.

The audit noted opportunities to increase the efficiency and effectiveness of G&C administration processes. These include defining monitoring requirements and increasing collaboration amongst departments. Ways to improve records management were identified, including implementing a grant management system for larger programs and standardized procedures based on the size and requirements of programs. Other improvements such as timely approval of funding agreements, documenting and performing adequate program monitoring, as well as increased reporting of program outcomes were noted. Lastly, although no conflicts of interest were observed as part of this audit, we noted that annual conflict of interest declarations should be a standard requirement for applicable staff to ensure the transparency of the programs.

Further details about these audits can be found in the respective [audit reports](#) located on our website.

## Quality Assurance and Improvement Program

### Quality Assurance Review

The Institute of Internal Auditors' (IIA) International Standards (Standards) require that an external assessment of an audit function be performed at least once every five years by a qualified independent assessor from outside the organization.

In May 2021, Council approved the OAG's proposed approach and timeline for our Office to conduct a self-assessment and to contract Deloitte to perform an independent validation. The objectives of this exercise were to assess the OAG's conformance with the IIA Standards and the IIA Code of Ethics. It was also meant to identify successful audit practices employed by the Office and opportunities for continuous improvement.

The OAG began the process by conducting and documenting a self-assessment of our audit processes earlier this year. Deloitte subsequently validated our results. It is Deloitte's overall opinion that the OAG generally conforms with the IIA Standards and the IIA Code of Ethics. Generally conforms is the most positive term used in these assessments. Although the OAG generally conforms with IIA Standards and IIA Code of Ethics, there were some gaps to conformance and areas for continuous improvement that were identified in the review. The OAG developed corresponding actions plans for each item raised.

Further details about the quality assurance review can be found on our [website](#).

### Conformance with the Standards and Independence

The IIA Standards require that the Auditor General report to the City's administration, the Audit Committee and Council regarding the Office's conformance with the IIA Standards and the IIA Code of Ethics, as well as confirm its independence. Over the past year, the OAG staff have complied with the Standards and observed the IIA's Code of Ethics and the Employee Code of Conduct for the City of Ottawa. OAG staff have also applied and upheld the principles of integrity, objectivity, confidentiality, and competency, and maintained and confirm their independence.

### Fraud & Waste Hotline

The Office of the Auditor General is responsible for the administration of the City's Fraud and Waste Hotline (FWHL), which is available to employees and the public as part of the City's Fraud and Waste Policy. Our Office reviews issues raised through the Hotline and present the results of reviews and investigations to the Audit Committee and City Council. The 2020 Annual FWHL report was tabled in May 2021. The 2021 Annual FWHL report is anticipated to be tabled to Audit Committee in May 2022. Further details about the FWHL can be found on our [website](#).

## Performance Management

Below are a few key measures the OAG tracks on an annual basis to ensure our Office is running effectively and efficiently and to identify areas for continuous improvement.

### Audit Targets



In April 2021, we presented our interim audit plan with anticipated reporting dates to the Audit Committee and Council for each proposed audit or project. We have completed and reported on 100% of our audits and projects within the prescribed timeframe.

### Recommendations



In 2021, we issued 24 recommendations as a result of the audits we conducted. All recommendations were accepted by management.

### Budget



We are currently projecting to be under budget for the year-ending 2021. The cost savings are largely due to vacant positions during 2021.

### Continuing Education



100% of our audit staff have professional audit certifications, advanced designations, and/or degrees. To maintain good standing with the various associations, staff are required to take professional development training every year to enhance their knowledge, skills and other competencies, including ethics. All staff met their respective requirements in 2021.

### Client Satisfaction



In 2021, the Office revamped its client satisfaction surveys to an electronic format that is anonymous. We performed individual audit surveys with the auditees as well as an annual survey of the City's senior leadership team to determine how our Office was performing.

### Audit Survey Results

Audit surveys are distributed to City staff that are directly involved in the audit. These surveys help our Office determine how each audit unfolded, and the value seen by management in both the scope of the work we performed and the recommendations that stemmed from the audit. Respondents are asked to answer questions regarding engagement performance by selecting from the following responses: strongly agree, agree, disagree, and strongly disagree. Two additional questions were included in the survey to enable the responder to provide additional comments as well as to indicate if they believe the audit provided value. Aggregated results for the past year are as follows:

Questions	Rate of Respondents that Strongly Agreed or Agreed
Audit provided value	100%
Audit recommendations are constructive and actionable	100%
Audit scope and objectives were relevant and clearly conveyed	80%
Audit report is objective, accurate, succinct, and clearly written	80%
Communication lines were open and positive	80%
Audit staff were objective, qualified and professional	80%

The survey results for audits concluded in 2021 show that respondents felt a very positive change in our audit approach in 2021. The results also indicated a need for continued collaboration with management, specifically when the Office outsources engagement work. We have since modified our internal processes to improve regular communication throughout the engagement process.

### Senior Leadership Team (SLT) Survey Results

The survey sent to members of the SLT consisted of a series of questions to better understand the effectiveness of our audits and the value they bring to the City. Aggregated results for the past year are as follows:

Questions	Rate of Respondents that Strongly Agreed or Agreed
Audit engagements result in improved governance, risk, and controls processes	100%
OAG's purpose, authority and responsibility is well communicated	100%
OAG contributes to positive change and continuous improvement	100%
There is a supportive environment for audits at the City	100%
Audits contribute to efficient and effective operations	83%
OAG possess a strong understanding of management priorities	83%
OAG provides value by contributing to the achievement of the City's strategic objectives	67%

The OAG noted that some improvements can be made in how our audits contribute to the achievement of the City's strategic objectives. This spring, our 2021 interim audit work plan specifically linked each audit to key strategic objectives. This was a change from previous practice. At the time this survey was distributed, audits from the 2021 interim audit workplan were not yet completed. As such, the results do not reflect the many changes we made in the way we select, conduct and report on our audits. We will continue to monitor the results of our surveys and seek feedback from City staff on innovative ways our Office can continue to contribute to the City's achievement of its strategic objectives. In addition, we will continue to work with the SLT to obtain a strong understanding of management priorities through the Auditor General's quarterly meetings with members of the SLT and ongoing discussions during individual audits.

These surveys will be performed on a rotational basis. In 2022 we will be surveying the members of Council to solicit their feedback on our performance.