



Office of the Auditor General Semi-Annual Report on Follow-up Procedures



SEPTEMBER 2021

Office of the Auditor General

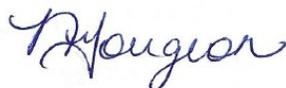
September 17, 2021

Mayor, Members of Audit Committee and Council,

I am pleased to present this report on follow-up audit procedures carried out by the Office of the Auditor General of the City of Ottawa. The report provides an update on the status of actions taken by management to address issues raised in past audits and the Office of the Auditor General's assessment of these actions to date.

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

Respectfully,

A handwritten signature in blue ink, appearing to read 'N. Gougeon', written in a cursive style.

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

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Background

The International Standards for the Professional Practice of Internal Auditing and the Office of the Auditor General's (OAG) Audit Charter, requires the Auditor General to "follow up on engagement findings and corrective actions, and report periodically to the Audit Committee concerning any corrective actions not effectively implemented".

In May 2021, City Council approved the "Office of the Auditor General – Audit Recommendation Implementation Update Process – Proposed Modifications" Report (ACS2021-OAG-BVG-0002) brought forward by the OAG. These changes require the OAG to provide a semi-annual report, to the Audit Committee and City Council, on the results of audit follow-up procedures performed on previously issued recommendations that have come due, and further highlight areas of significant risk that are still outstanding that warrant further attention by the City's administration. This is the first report being issued under this new process.

Review of Long-Standing Recommendations

As part of the Auditor General's initial review of the listing of outstanding recommendations (including some recommendations dating back as far as 2011), we assessed whether recommendations were still relevant/applicable and whether or not management had taken significant action to reduce the risk identified in the original audit to an acceptable level. As a result of this assessment and discussions with management, the OAG closed a number of recommendations and as such, no further follow-up work will be performed. The OAG's focus moving forward will largely be placed on recommendations issued in 2015¹ and onwards. This will ensure that the OAG's resources are directed to areas of significant risk and that we are providing the City with the best value-added service.

Follow-Up Process

On a quarterly basis, the City Manager's Office (CMO) obtains an update from each department on the statuses of the outstanding recommendations within their purview. The CMO then reviews these statuses and provides an update to the OAG. Once the OAG obtains this update, we review it to determine which audit recommendations remain outstanding and which have been completed.

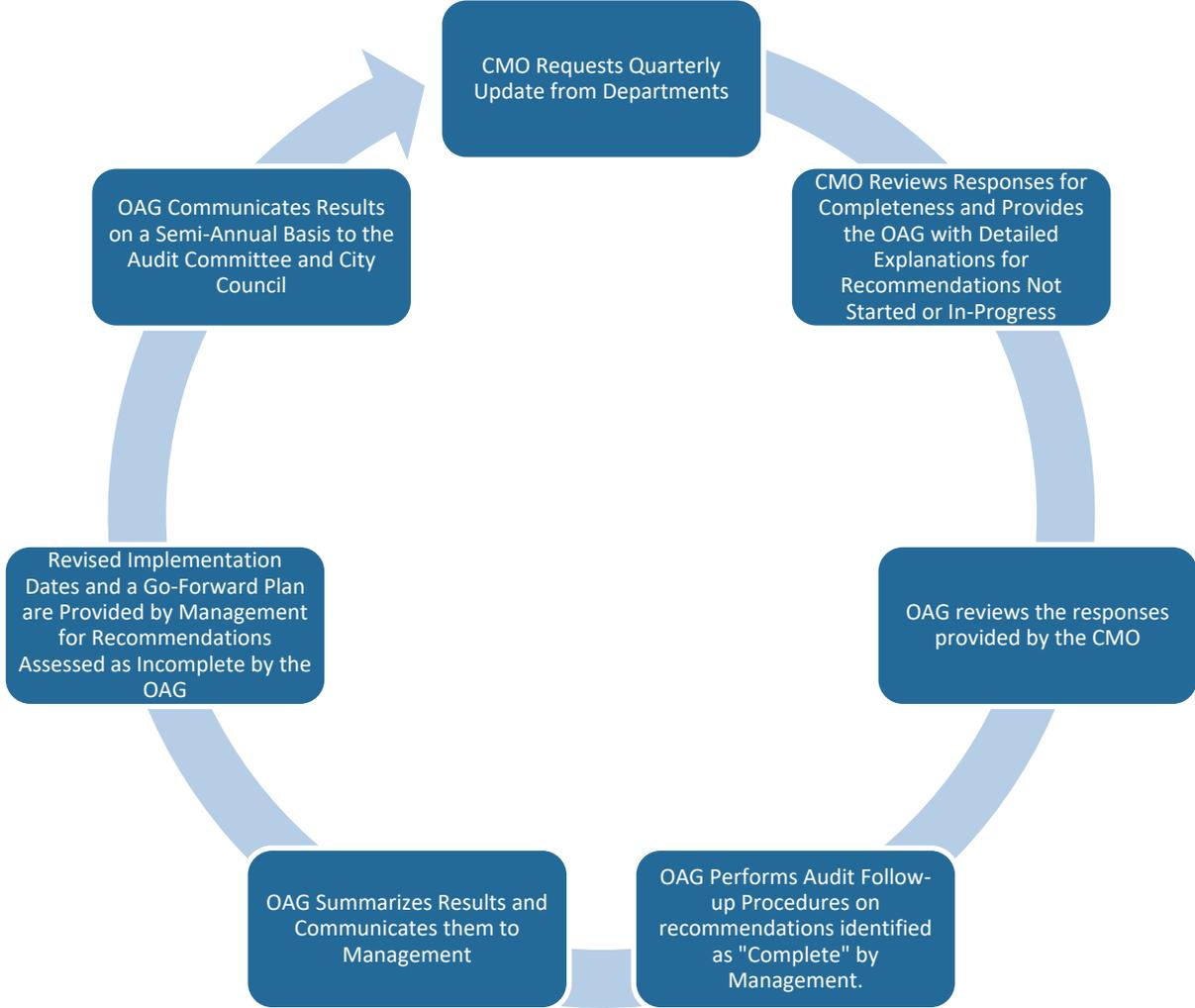
Once a recommendation is assessed as complete by management, the OAG performs inquiry of management to confirm the steps taken to implement the recommendations and may perform further tests to support our conclusions. Once our review is performed, we communicate our findings and next steps² with management.

¹ The OAG is however continuing to follow-up on a few selected recommendations issued prior to 2015 that are considered to be of significant risk to the City and its administration.

² Next steps may include requiring further action from management, additional follow-up procedures to be performed by the OAG, or assessing the remaining risk as low and closing the recommendation.

If a recommendation is assessed as not started or as in-progress, management provides the OAG with an explanation and a revised implementation date. The results of these procedures, with areas of high risk highlighted, are then included in our semi-annual status report, and communicated to the Audit Committee and City Council. Refer to *Exhibit 1* below for a depiction of the audit recommendation follow-up process flow.

Exhibit 1 – Audit Recommendation Follow-Up Process



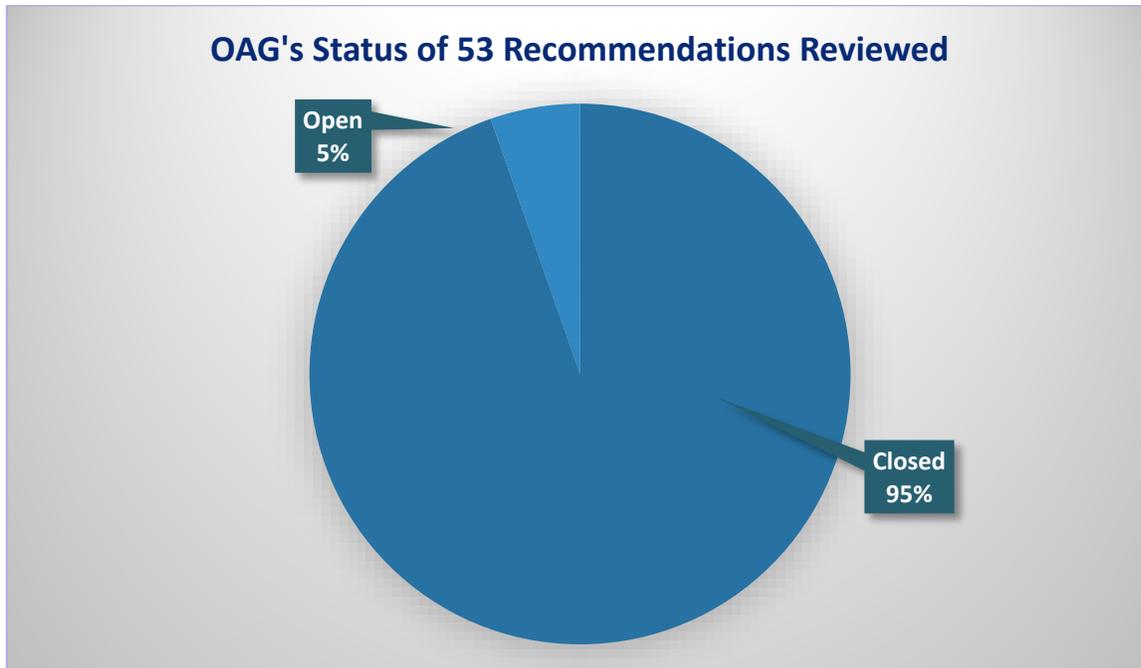
Current Focus

There were a significant number of unassessed recommendations requiring review by the OAG when this new process first commenced. As such we have decided to focus our attention on those recommendations that have been identified by management as being fully actioned. We will continue to do so until the backlog of unassessed recommendations has been reduced. This will ensure effective and efficient deployment of both OAG and City staff resources.

OAG Results (Audited)

Exhibit 2 below depicts the results of the work performed by the OAG since we last reported to the Audit Committee in April 2021. The OAG reviewed 53 recommendations during this period. Of these 53 recommendations, 50 (95%) of the recommendations were closed³ and the remaining 3 (5%) continue to be in an open⁴ status, as further follow-up by the OAG is warranted.

Exhibit 2 – OAG Status of 53 Recommendations Reviewed



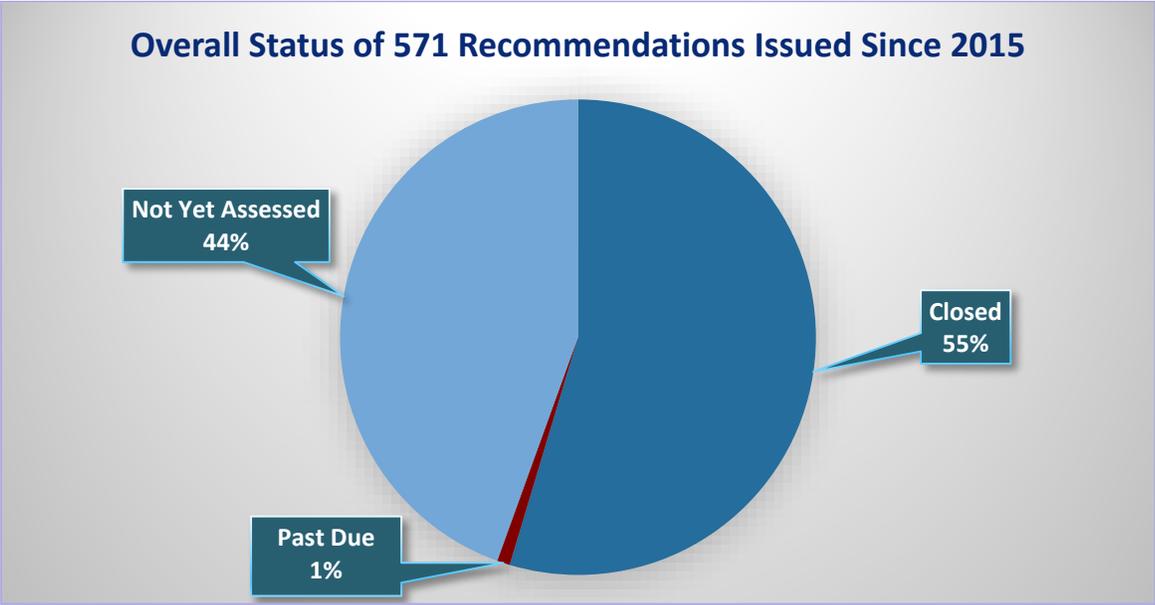
Overall View

Exhibit 3 depicts the overall results for all **571** recommendations issued since 2015. This includes recommendations that we have assessed in this report, in previous follow-up reports, and those yet to be assessed.

³ Recommendations that are closed may include recommendations that have been fully actioned by management and/or recommendations that are not fully implemented where the remaining risk is considered to be low and does not warrant further follow-up by the OAG.

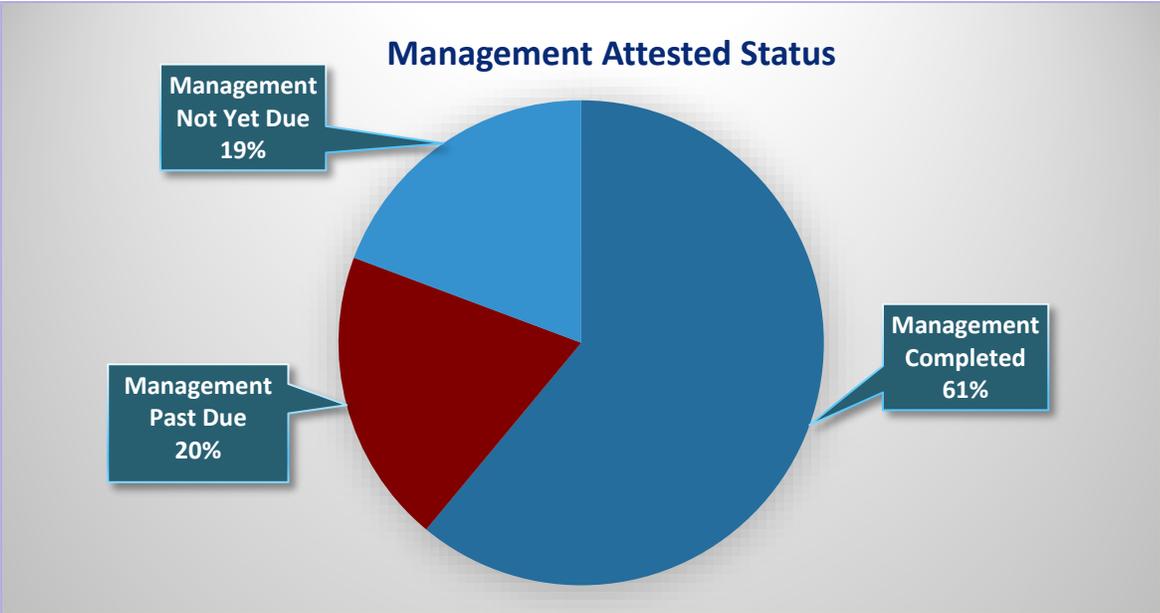
⁴ Recommendations that are open represent recommendations reviewed by the OAG that have not been fully address and warrant further follow-up by the OAG.

Exhibit 3 – Overall Status of 571 Recommendations Issued Since 2015



Of the 44% (254) of recommendations not yet assessed by the OAG, management is reporting the following status as at June 30, 2021: 61% (155) completed, 20% (50) past due, and 19% (49) not yet due. Please note these results are unaudited. Refer to Exhibit 4 below for further details.

Exhibit 4 – Management Attested Status (Not yet assessed by the OAG)



High Risk Areas

Since our last report to the Audit Committee (April 2021), there are no significant risk areas that we believe warrant further attention of the Audit Committee. However, as a result of additional pandemic-related priorities, the recommendations issued within the audits listed below are behind schedule and are not aligned for timely implementation in accordance with agreed upon timelines (Refer to *Exhibit 5*). These items are being monitored by our Office.

Exhibit 5 – Recommendations Under Observation

Audit	# of Recommendations Issued	# of Recommendations Management Attests are Completed	# of Recommendations Past Due
Corporate Security (2019)	17	10	7
PWESD – Contract Management (2019)	7	0	7
Stage 2 LRT Project Procurement (2019)	5	1	4

Conclusion

Audits are designed to improve management practices, enhance operational efficiency, identify possible savings, and address a number of specific issues. Follow-up procedures are designed to evaluate management's progress on the implementation of recommendations from the audit reports. This report is not intended to provide an assessment of each individual recommendation. Rather, it presents our overall evaluation of progress made to date across all completed audits. Based on the follow-up procedures performed by the OAG and management's attestation of their progress to date, we believe the overall progress made by management, since our last report, to be acceptable. We will continue to work with management and assess recommendations identified by management as complete in order to provide an on-going picture of the status of outstanding recommendations.

Our next semi-annual report will be presented to the Audit Committee and Council in the spring of 2022.