



**Office of the Auditor General: Follow-up to the
2013 Audit of Ethics, Tabled at Audit Committee
– May 25, 2017**

Table of Contents

Executive summary 1
 Conclusion 2
 Acknowledgement..... 3
Detailed report – Assessment of implementation status 4

Executive summary

The Follow-up to the 2013 Audit of Ethics was included in the Auditor General's 2015 Audit Work Plan.

The key findings of the original 2013 audit included:

- Overall, the results of the all-staff survey conducted were positive and suggested that, in general, the ethical climate at the City is quite strong. The survey also identified some opportunities for improvement as follows:
 - Regular discussion of ethics issues not widespread throughout City (34%);
 - Uncertainty of where to go for assistance when managing an ethical dilemma (26%);
 - Concerns over preferential treatment of some employees (22%);
 - Some employees fear reprisal for reporting a violation (21%); and
 - Unfavourable perceptions towards senior management's behaviour (18%).
- The City's Code of Conduct and Fraud and Waste Hotline were found to be important components in maintaining a strong ethical culture at the City.
- There was no mandatory requirement for all employees to regularly take training with a focus on ethics in a public sector environment, or the Code of Conduct. Moreover, long-time employees are not required to take regular "refresher" training related to the Code of Conduct.
- For policies referenced in the Code of Conduct, 6 out of 17 were overdue for review. The requirement for policy review was 'at least every three years'.
- The majority of ethics-related communications were conducted ad hoc or on demand. Furthermore, there was no overarching communications strategy that set out the frequency of communications and messaging to employees.
- 51% of employees sampled had not completed an Individual Contribution Agreement¹ (ICA), and 33% of those had not used the most up-to-date form. As such, only a fraction of full-time employees were being assessed annually on their adherence to the Code of Conduct, and some direct supervisors and managers

¹ City of Ottawa's performance evaluation form is called the Individual Contribution Agreement (ICA). The Performance Development Program (PDP) for City employees has been designed to give employees effective feedback through the ICA on their job performance and provide them with support for developing their skills. The PDP process is to be utilized on an annual basis for all employees.

Follow-up to the 2013 Audit of Ethics

were not consistently using the performance evaluation process as a means of reminding employees of the importance of adhering to the Code of Conduct.

- It was generally understood that the City Clerk and Solicitor as well as the Litigation and Labour Relations branch had taken the lead on the Code of Conduct and initiatives related to ethics. However, the City's overall responsibilities for ethics management had not been formally defined or documented. This may lead to confusion in managing responsibilities and expectations associated with ethics management. The responsibility for the ethics function should be formalized.

Table 1: Summary of status of completion of recommendations

Recommendations	Total	Complete	Partially complete	Not started	No longer applicable
Number	8	2	6	-	-
Percentage	100%	25%	75%	-	-

Conclusion

Although management has made progress in implementing audit recommendations, six out of eight recommendations are not complete.

The extent of the improvement for some recommendations did not fully address the issues or intent of the audit recommendations. For example, the primary means of ongoing communication and training for ethics and the Code of Conduct is electronic; however, over 40% of all employees do not have electronic access. Furthermore, it was indicated that employees' annual performance reviews (ICAs) are another important means to ensure ongoing communication and training for ethics and the Code of Conduct despite low rates of completion at approximately 25%, with the exception of MPE and CIPP employees. The strategy and design for effective communication and training needs has not taken these constraints into account in order to outline clear actions that would be successful. Furthermore, the completed activities necessary to support a strong ethical culture and environment have not been supported by a dedicated resource or through the use of budgeted funds that were available in 2016.

Follow-up to the 2013 Audit of Ethics

Management staff have indicated the additional steps they would be undertaking to fully implement these recommendations in future. Due to the extent of incomplete actions, the Office of the Auditor General will follow up again in early 2019 to ensure that all recommendations have been completed.

Acknowledgement

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

Detailed report – Assessment of implementation status

The detailed section of this report is available in English only and may be translated in whole or in part upon request. For more information, please contact Ines Santoro at 613-580-2424, extension 26052.

La section détaillée de ce rapport n'existe qu'en anglais et pourrait être traduite en partie ou en totalité sur demande. Renseignements : Ines Santoro, 613-580-2424, poste 26052.

The following information outlines management's assessment of the implementation status of each recommendation as of August 2016 and the Office of the Auditor General's (OAG) assessment as of December 2016.

Recommendation #1

Status	Management update	OAG assessment
	Complete	Partially complete

Audit recommendation:

That the City reviews its existing incident reporting mechanisms and related investigation procedures to identify opportunities to ensure employees are appropriately protected from reprisal.

Original management response:

Management agrees with this recommendation.

Management, in consultation with the Office of the Auditor General, will review the Fraud and Waste Hotline process, as well as other incident reporting mechanisms at the departmental level by Q4 2014 to ensure staff are appropriately protected from reprisal. This will involve developing and/or updating communication materials (e.g. Management Bulletin, In The Loop article, Code of Conduct Questions and Answers) that emphasize whistleblower protection and the City's commitment to protecting employees who report a violation or participate in an investigation. Future circulations about the Code of Conduct will also highlight the Code's existing whistleblower protection clause in order to enhance awareness amongst all staff (managers/supervisors and employees alike) that retaliation for reporting violations is not tolerated.

Management update:

The Fraud and Waste Policy and the Fraud and Waste Investigation Procedures have been revised, approved by Council and are available on Ozone. The revised policy includes a section on whistleblower protection and was approved by Council on June 24, 2015. The revised procedures were received by Senior Management Committee on July 23, 2015. An *In the Loop* article on the update to the Fraud and Waste Policy and Procedures was published on September 9, 2015. This article highlighted the whistleblower protection clause contained in both the Code of Conduct and the updated policy. The updated Fraud and Waste Policy and Procedures were also profiled in the September *Top 5* (circulated on September 9, 2015), and this communication reinforced that all employees who disclose suspected cases of Fraud and Waste are protected under the whistleblower clause. In addition, a Q & A on the Employee Code of Conduct was published in the September 23, 2015 issue of *In the Loop* and included information

Follow-up to the 2013 Audit of Ethics

about the protection of employees who make a good faith report about a breach of the Code. Finally, the Code of Conduct FAQs found on Ozone were updated in October 2015 with additional information regarding the reporting of suspected Fraud and Waste cases.

Management will continue to ensure that future communications continue to highlight the existing whistleblower protection clause contained in both the Code of Conduct and the Fraud and Waste Policy.

OAG assessment:

The actions as described in the management update are verified.

All actions supporting the recommendation are delivered by electronic means only, i.e. email or intranet. Approximately 40% of City employees do not have access to the IT network and so the City relies on individual departments to disseminate information to these employees. Although it is a manager's responsibility to communicate important information to all employees, there is neither a formal mechanism to do so nor a method for senior management to ensure that it is being done effectively or at all.

Furthermore, our assessment could not determine how management will continue to ensure that future communications continue to highlight whistleblower protection without a dedicated Ethics Officer or regularly scheduled communications or training that reach all employees.

Recommendation #2

Status	Management update	OAG assessment
	Complete	Partially complete

Audit recommendation:

That the City reviews communications with employees promoting the City's commitment to supporting protection of employees who report incidents of alleged violations of the Code of Conduct and associated corporate policies and procedures.

Original management response:

Management agrees with this recommendation.

Management will ensure communication materials (e.g. Management Bulletin, *In The Loop* article, Code of Conduct Questions and Answers) emphasize whistleblower protection and the City's commitment to protecting employees who report a violation or participate in an investigation by Q4 2014. Future circulations about the Code of Conduct will also highlight the Code's existing whistleblower protection clause in order to enhance awareness amongst all staff (managers/supervisors and employees alike) that retaliation for reporting violations is not tolerated.

Management update:

The Fraud and Waste Policy and the Fraud and Waste Investigation Procedures have been revised, approved by Council and are available on Ozone. The revised policy includes a section on whistleblower protection and was approved by Council on June 24, 2015. The revised procedures were received by Senior Management Committee on July 23, 2015. An *In the Loop* article on the update to the Fraud and Waste Policy and Procedures was published on September 9, 2015. This article highlighted the whistleblower protection clause contained in both the Code of Conduct and the updated policy. The updated Fraud and Waste Policy and Procedures were also profiled in the September *Top 5* (circulated on September 9, 2015), and this communication reinforced that all employees who disclose suspected cases of Fraud and Waste are protected under the whistleblower clause. In addition, a Q & A on the Employee Code of Conduct was published in the September 23, 2015 issue of *In the Loop* and included information about the protection of employees who make a good faith report about a breach of the Code. Finally, the Code of Conduct FAQs found on Ozone were updated in October 2015 with additional information regarding the reporting of suspected Fraud and Waste cases.

Follow-up to the 2013 Audit of Ethics

Management will continue to ensure that future communications continue to highlight the existing whistleblower protection clause contained in both the Code of Conduct and the Fraud and Waste Policy.

OAG assessment:

The actions as described in the management update are verified.

All actions supporting the recommendation are delivered by electronic means only, i.e. email or intranet. Approximately 40% of City employees do not have access to the IT network and so the City relies on individual departments to disseminate information to these employees. Although it is a manager's responsibility to communicate important information to all employees, there is neither a formal mechanism to do so nor a method for senior management to ensure that it is being done effectively or at all.

Recommendation #3

Status	Management update	OAG assessment
	Partially complete	Partially complete

Audit recommendation:

That the City develops, regularly reviews and revises training materials related to the Employee Code of Conduct and other ethical matters, and that this training is regularly delivered to all staff.

Original management response:

Management agrees with this recommendation. Human Resources, in conjunction with the Litigation and Labour Relations branch, will develop a Code of Conduct eLearning module by Q4 2014. The module will be delivered regularly to all staff.

The City currently offers several courses with ethics-related material in its content, including the New Employee Orientation program for newly hired employees. In addition, in 2013 the City introduced mandatory training sessions for newly promoted/hired supervisors and managers: 'New Manager Orientation' and 'New Supervisor Transition'. The sessions are delivered by the City's executives and managers and both include a section on the Code of Conduct.

Also, Senior Management Committee has approved additional mandatory training for newly promoted/hired supervisors and managers. The curriculums include 'Supervising/Managing in a Unionized Environment' and 'Leading a Diverse Workforce' which is the supervisor/manager version of 'Respectful Workplace Training'. These mandatory curriculums will come into effect June 1, 2014.

All training courses and programs are subject to periodic review. In future reviews, Human Resources, in conjunction with the Litigation and Labour Relations branch, will seek to incorporate a component of the Code of Conduct in every training session/manual that the City offers where feasible.

Management update:

In-depth Code of Conduct training is included in the mandatory curriculum for newly promoted/hired supervisors and managers: New Manager Orientation (presented by the City Clerk and Solicitor) and New Supervisor Transition (presented by the Deputy City Clerk and Solicitor). A high-level introduction is presented at the New Employee

Follow-up to the 2013 Audit of Ethics

Orientation session. For 2015, 125 supervisors and managers and 581 employees received Code of Conduct Training through these sessions.

In 2015, 27 managers and 78 supervisors attended 'Supervising/Managing in a Unionized Environment' and 136 attended corporate sessions for 'Leading a Diverse Workforce' which is part of the mandatory training for newly promoted/hired supervisors and managers that came into effect in September 2014 and contain strong linkages to our Code of Conduct.

The revised target completion date for the eLearning module of the Code of Conduct is Q4 2016. The course content and script have been written and are awaiting approval from the Labour Relations branch. Messaging from the new City Manager will also be embedded into the new module.

OAG assessment:

The actions as described in the management update are verified omitting the specific number of employees trained.

For new employee orientation sessions, one presentation slide is included and asks employees to read the Code of Conduct.

At the time of our review, the Code of Conduct eLearning module geared to long-term employees had not been completed.

An eLearning course will need to address the challenge of employee coverage due to the fact that approximately 40% of City employees do not have access to the IT network.

Recommendation #4

Status	Management update	OAG assessment
	Partially complete	Partially complete

Audit recommendation:

That the City ensures that all corporate policies and procedures referenced by the Code of Conduct are regularly reviewed and revised as necessary, but at least every three years to ensure that these remain current, relevant and align with the Code of Conduct.

Original management response:

Management agrees with this recommendation.

The City's existing Corporate Administrative Policy Framework requires that all corporate administrative policies and procedures, including the Code of Conduct, be reviewed every three years unless there is a requirement for more frequent review due to legislative or operational requirements. The Corporate Programs and Business Services department does and will continue to coordinate the policy review cycle; assist policy owners by consulting on quality, appropriateness and consistency of policies, and report to the Executive Committee on the annual policy review status.

Three policies (Discipline; Hiring and Employment of Family Members; Petty Cash Funds and Change Floats) noted as overdue for review have been revised since the time of the audit and the remaining three are in the review and consultation stages. They are expected to be updated by Q4 2014. The Police or Criminal Record Check Policy is currently being revised and is also expected to be updated by Q4 2014.

Management update:

Further to the original management response, the Corporate Programs and Business Services department continues to coordinate the policy review cycle; assist policy owners by consulting on quality, appropriateness and consistency of policies, and reports to senior management on the annual policy review status.

Two of the four policies that were in the review and consultation stages at the time of the audit have been revised: Disposal of Fleet Vehicles and Equipment Policy and, the Fraud Policy and Procedures. The remaining two policies are in progress.

Legal Services has drafted an additional question providing guidance on the Gifts, Entertainment and Hospitality Policy. This question will be added to the Employee Code of Conduct FAQs on Ozone and communicated to staff by the end of August 2016.

Follow-up to the 2013 Audit of Ethics

Following the posting, the Gifts, Entertainment and Hospitality Policy will be proposed for rescission.

The Employee Code of Conduct will also be amended to reflect the obligation of City staff as public office holders to review the Lobbyist Registry and to avoid knowingly communicating with a lobbyist who has breached the Lobbyist Registry. This update is expected to be completed by Q3 2016.

The Police or Criminal Record Check process is currently being reviewed by the HR Client and Business Solutions branch. The policy itself is still on track to be revised by the end of Q3 2016.

OAG assessment:

At the time of our work, one policy and two procedures have not been reviewed:

- Equity and Diversity Policy (2012)
- Violence in Workplace Procedure (2013)
- Harassment in the Workplace Procedure (2013)

In March 2016, Executive Committee amended the review cycle of the Corporate Administrative Policy from three years to four years. (The three-year cycle still applies to policies that were due in 2016 or earlier.)

Recommendation #5

Status	Management update	OAG assessment
	Complete	Complete

Audit recommendation:

That the City develops a coordinated and standardized communications strategy that sets out the messaging, mechanisms and frequency of communications related to the Employee Code of Conduct and other ethical matters for all City employees.

Original management response:

Management agrees with this recommendation.

Standardized messaging on ethics-related matters will be developed by Labour Relations in consultation with Corporate Communications to ensure consistency across the various communication channels (e.g. Management Bulletins, *In The Loop* Employee Newsletter, Ozone resources). This communications strategy, which will be developed by Q4 2014, will be reviewed annually.

Management update:

Corporate Communications, in consultation with management and Legal Services, has developed an internal communication roll-out for Code of Conduct promotion to employees. This work plan details the mechanisms and frequency of communications relating to the Code and is reviewed on an annual basis. Since its implementation, the following communications have been circulated to employees:

- September 8, 2015 Management Bulletin: Update to the Fraud and Waste Policy and Investigation Procedures
- September 9, 2015 *In the Loop*: Updated Fraud and Waste Policy and Procedures
- September 9, 2015 *Top 5*: Corporate Policy – Fraud and Waste
- September 23, 2015 *In the Loop*: Q & A on the Code of Conduct and Code of Conduct Quiz
- October 14, 2015 *Top 5*: Corporate Policy – Code of Conduct and Talkback question
- November 3, 2015 Management Bulletin: Review Code as part of ICA Process
- January 27, 2016 *In the Loop*: Applying the Code of Conduct in Your Daily Work
- April 5, 2016 Management Bulletin: Summer student hiring process

Follow-up to the 2013 Audit of Ethics

In 2016, communications will focus on the promotion of a new Code of Conduct eLearning module for employees. There will also be additional communications throughout the year to educate staff on the values and pillars of the Code and encourage managers to review these corporate documents with their teams as part of the Performance Development Program.

OAG assessment:

The actions as described in the management update are verified.

It is the opinion of the OAG that there are significant deficiencies in the design and execution of the strategy, more specifically:

- Both the proposed eLearning training and most other elements of communication do not address how the large number of employees that do not have access to the network will be informed.
- ICAs are outlined as a key element of the strategy. Completion rates of ICAs are demonstrated to be very low outside of the MPE/CIPP employees. The electronic tool to support monitoring and hence improved rates of ICA completion has been eliminated in 2016.

Recommendation #6

Status	Management update	OAG assessment
	Complete	Partially complete

Audit recommendation:

That the City ensures that all full-time employees annually complete Individual Contribution Agreements using the most recent templates that include a section referencing their adherence to the Code of Conduct.

Original management response:

Management agrees with this recommendation.

The City requires all full-time employees to complete an Individual Contribution Agreement (ICA) on an annual basis with the exception of Transit Operators who are on an 18-month cycle. At the end of each year, the City Manager issues a Management Bulletin reminding managers and supervisors of the requirement to complete ICAs for all applicable employees.

The current method for tracking completion of ICAs is to conduct random file audits. The City is in the process of sourcing an automated Performance Management Solution for implementation in 2014 and anticipates that this will be completed by Q1 2015. The solution will house up-to-date ICA templates, which include a section referencing adherence to the Code of Conduct, as well as have the ability to track ICA completion status in order to follow up with managers in instances where ICAs have not been completed.

Management update:

The City continues to do random file audits to track completion of ICAs in addition to the City Manager's annual Management Bulletin reminding managers and supervisors of the expectation that all employees complete an ICA.

The monitoring was enhanced with the implementation of an online performance management solution which was deployed in Q2 2015 for CIPP and MPE employees. The 2015 ICA completion rate for in scope employees (MPE and CIPP employee group) is 85.7% completed. With the implementation of the solution, there has been additional communication in the form of an email to all employees from the City Manager and Director, Human Resources reinforcing the requirements of employees and managers/supervisors under the Performance Development Program.

Follow-up to the 2013 Audit of Ethics

The Code of Conduct is included in the ICA forms, both within the online solution and the versions available to non CIPP/MPE employees.

OAG assessment:

Approximately 89% of the 2,500 CIPP and MPE employees have completed an ICA using the online solution implemented in 2015.

In December 2016, it was announced that the solution would no longer be used for the completion of the 2016 ICAs.

The City currently does not have any formalized monitoring and reporting of the status of completion of ICAs for employees.

The results of random file reviews to monitor completion of ICAs showed that of the 200 files verified in 2014, 23% contained an ICA for the previous year compared to 28% (170 files reviewed) in 2015.

In addition, recent testing performed as part of the Audit of Environmental Services department of a sample of 25 ICAs for 2015 found that only 36% of the individuals selected had a completed ICA in their personnel file for 2015.

Furthermore, in some instances, managers and/or supervisors did not use the most recent ICA form that includes a section referencing their adherence to the Code of Conduct.

Recommendation #7

Status	Management update	OAG assessment
	Complete	Complete

Audit recommendation:

That the City develops standard questions to include in future Employee Engagement Surveys to assess the overall ethical climate of the City on an ongoing basis.

Original management response:

Management agrees with the recommendation to enhance the Employee Engagement Survey to incorporate this key area of insight. Management will develop standard questions by Q3 2014 in order to assess the overall ethical climate of the City, in each future survey.

Management update:

The employee engagement survey was reviewed and enhanced with questions to assess the overall ethical climate at the City. In April 2015, staff were surveyed using the enhanced survey.

OAG assessment:

The 2015 *Employee Engagement Survey (ESS)* was the first survey that included questions to assess the City's overall ethical climate.

Results were provided to all employees in July 2015.

80% of employees surveyed agreed that the importance of ethics and the Employee Code of Conduct is discussed in their workplace; 88% agreed that employees in their workplace demonstrate a commitment to the importance of ethical behavior; 77% agreed that employees in their workplace would not hesitate to report unethical behaviour; and 91% agreed that employees would not hesitate to report unethical behaviour.

In the past, this survey has been administered every two years. The next survey is planned to take place during the next term of Council (2019-2023), increasing the time interval between surveys to over four years.

Recommendation #8

Status	Management update	OAG assessment
	Partially complete	Partially complete

Audit recommendation:

That the City formalizes the responsibilities of an Ethics function that would serve to define, lead and support the effectiveness and ongoing maturation of the City's EMFW. This function would be responsible for such items as tailoring guidance on the Code of Conduct, coordinating communications and training materials, and proactive management of City-wide risks to ethics-related objectives.

Original management response:

Management agrees with this recommendation.

A formalized Ethics function would most appropriately rest within the City Clerk and Solicitor department as part of the open and accountable governance model. The responsibilities of this function could include: responding to questions relating to ethical matters; contributing to the development and implementation of ethics-related communication strategies and training programs; and informing all City employees on the tools that are available to help them perform and lead with integrity. This function would also serve as one of the main points of contact for staff to report ethical violations and, in conjunction with the Office of the Auditor General, would ensure that reported concerns are promptly and thoroughly investigated, with corrective action and discipline when appropriate.

Management will include the proposal for this function and FTE for consideration during the development of the Term of Council Strategic Priorities and Draft 2015 Operating Budget, to be recommended to Council in Q1 2015.

Management update:

As part of its Draft 2016 Operating Budget, which was carried by Council on December 9, 2015, Management brought forward an FTE to staff the Ethics function as outlined in this recommendation. Partial funding for this function was approved, but no FTE was provided. The various responsibilities associated with this formalized function continue to be managed and incorporated within existing resources. As a result of the organizational alignment in July 2016 and the ongoing transition in the Fall,

Follow-up to the 2013 Audit of Ethics

departmental management continues to review this specific function in the course of the work being done and anticipates finalization by the end of Q4 2016.

OAG assessment:

While no full-time equivalent (FTE) was added as part of the 2016 Council approved operating budget, the City Clerk and Solicitor's 2016 budget was increased by \$90,000.

The 2017 approved budget included an additional \$90,000 for a new Ethics Research and Development Officer.

Table 2: Status legend

Status	Definition
Not started	No significant progress has been made. Generating informal plans is regarded as insignificant progress.
Partially complete	The City has begun implementation; however, it is not yet complete.
Complete	Action is complete, and/or structures and processes are operating as intended and implemented fully in all intended areas of the City.
No longer applicable	The recommendation is obsolete due to time lapses, new policies, etc.