

# Office of the Auditor General

## 2022-2023 Audit Work Plan



**December 2021**



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## Background

The Auditor General is responsible for assisting City Council in holding itself and its administrators accountable for the quality and stewardship over public funds and for the achievement of value for money in municipal operations. This is accomplished through the independent execution of audits aimed to help identify and mitigate risks, improve the control environment and to continue to improve the efficiency and effectiveness of City operations.

As outlined in the Auditor General By-law No.2021-5, the Auditor General shall submit an annual audit plan to Council for approval. Further By-law No.2021-5 indicates that the Auditor General, at her discretion, prepare a longer-term audit plan for submission to City Council.

## Purpose

The purpose of the 2022-2023 Audit Work Plan is to identify to Audit Committee and Council an overview of the work to be conducted in the fiscal years 2022 and 2023 which is in alignment with the City of Ottawa's Strategic Plan for 2019-2022.

## Risk-Based Audit Plan (RBAP) Process

The Auditor General undertakes a risk-based assessment to identify audit priorities. The audits selected for inclusion have arose through a systematic identification of all areas of significance from an audit perspective and the determination of audit project priorities by assessing criteria relating to risk, taking into consideration inherent risks, important organizational changes, new initiatives, emerging priorities and other relevant factors. Furthermore, requests from external boards may also be taken into consideration.

The Office of the Auditor General's (OAG) risk-based assessment process consists of five distinct steps:

1. Update the Audit Universe;
2. Documentation Review;
3. Consultations with Stakeholders;
4. Risk Assessment; and,
5. Project Selection and Prioritization.

Each of these steps are described in further details below.

## **Audit Universe**

An audit universe represents the potential range of all audit activities and is comprised of a number of auditable entities. These entities include a range of programs, activities and functions which collectively contribute to the achievement of the City's strategic objectives. The audit universe was revised during the RBAP process to ensure a clear understanding of auditable entities while document review, consultations and risk assessments were conducted.

## **Documentation Review**

Documentation review consisted of reviewing the following documents:

- Audit Universe Risk Assessment;
- Draft new Official Plan, the City of Ottawa Strategic Plan 2019-2022, financial statements, and the 2021 Operating and Capital Budgets;
- Past audits conducted at the City;
- Audits and audit work plans from other municipalities; and
- Fraud and Waste Hotline reports received.

## **Consultations**

The RBAP process included consultations with members of Council, the Senior Leadership Team, and Office of the Auditor General staff members. The objective of these consultations was to obtain input on strategic and organizational objectives, risk, and anticipated changes and challenges to the operating environment. Those consulted were asked to share information on their specific areas of responsibility as well as horizontal risks across the City, based on their experience and knowledge of operations. A meeting was also held with the external auditors to discuss audit coverage of high-risk areas and to minimize overlap and duplication, thus reducing the risk of audit fatigue on the City's administration. Lastly, consultations with other Auditor Generals were conducted to identify global risks and similar areas of focus that could be leveraged.

## **Risk Assessment and Prioritization**

Engagements were selected and prioritized based on risk, the assessment of which was completed using information gathered from the audit universe, consultations and documentation review. The underlying premise of a risk-based approach is that areas of higher risk require greater oversight; accordingly, in carrying out audits, greater weight is given to the examination of the governance, risk management, and controls associated with activities of higher risk. A risk-based approach enables the efficient and

targeted deployment of resources and ensures the coverage of the City's most exposed areas.

## 2022-2023 Risk-Based Audit Work Plan

The tables below outline the proposed audits for the 2022-2023 audit work plan, as well as a brief description of the audit objective and link to the Term of Council priorities as presented in the City's Strategic Plan 2019-2022. The preliminary objective provided is subject to change based on the results of the risk assessment conducted during the planning phase of the engagement. Timelines reflected below are subject to change due to the uncertainty associated with the Light Rail Transit (LRT)- related audit.

### IN PROGRESS AUDITS

#### City Departments

No.	Activity	Description /Preliminary Audit Objective	Link to Council Priorities	Timeline
1.	Zero-Emission Bus Audit – Sprint 1	The objective of this audit sprint <sup>1</sup> is to provide reasonable assurance that the City has assessed and considered the technology risks and operational requirements of the City as it selected the type of technology/vendor for the pilot project and in developing its plan to evaluate bus performance as part of the pilot project.	Our City – Environmental Stewardship	To be reported in 2022

<sup>1</sup> An audit sprint represents an iterative cycle of audits performed on a continual basis with a focus on areas of greatest risk to the City.

No.	Activity	Description /Preliminary Audit Objective	Link to Council Priorities	Timeline
2.	Audit of Light Rail Transit	The objective of this audit is to provide reasonable assurance of the effectiveness of the operations of the Confederation Line 1. Areas of focus will be further defined during the planning process – see “LRT Audit/Investigation” section below for further details.	Our City – Integrated Transportation	Commenced in Q4 2021
3.	Pandemic Response Audit	A City-wide operational audit to provide Council assurance on the effectiveness and efficiencies of the City’s response to the pandemic. The Board of Health has agreed with the OAG’s request to conduct limited-scope audit procedures as it pertains to the governance interface relating to the partnership between Ottawa Public Health and City’s Emergency Operations Centre on Ottawa’s COVID-19 vaccination program. Further areas of focus will be further defined during the planning process.	Our City - Thriving Communities	Commenced in Q4 2021

### Agencies and Corporations

No.	Activity	Description/ Preliminary Audit Objective	Link to Council Priorities	Timeline
4.	Audit of Ottawa Community Housing	The objective of this audit is to assess the procurement, program management and project management activities undertaken by Ottawa Community Housing Corporation (OCH) in relation to its 10-Year Development and Renewal Plan. This report will be presented to the OCH Board of Directors and to Audit Committee for information purposes.	Our City - Thriving Communities	To be reported in 2022

### NEW AUDITS COMMENCING IN 2022

#### City Departments

No.	Activity	Description/ Preliminary Audit Objective	Link to Council Priorities	Timeline
5.	Audit of Integrated Risk Management	The objective of this audit is to provide reasonable assurance that the City's approach to integrated risk management enables effective risk-based decision making.	Our Service – Service Excellence Through Innovation	To commence Q1 2022

No.	Activity	Description/ Preliminary Audit Objective	Link to Council Priorities	Timeline
6.	Audit of Revenue	The objective of this audit is to provide reasonable assurance that the management systems, controls and practices in place within the Revenue Branch of the City of Ottawa are adequate to control and safeguard assets. Areas of focus will be further defined during the planning process.	Our Service – Service Excellence Through Innovation	To commence Q2 2022
7.	Audit of Prevention of Workplace Violence and Harassment	The objective of this audit is to provide reasonable assurance to Council that the City administration has established and consistently implements procedures and processes that foster a workplace that is free of violence and harassment and which comply with policy and regulatory requirements.	Our People - Thriving Workforce	To commence Q3 2022
8.	Cybersecurity Audit	The objective of this audit is to provide reasonable assurance that the City has an effective program to support cybersecurity.	Our Service – Service Excellence Through Innovation	To commence Q4 2022
9.	Zero-Emission Bus Audit – Sprints 2-5	The objective of these agile audits is to provide reasonable assurance on the significant/high-risk elements of the ZEB program. Each audit sprint will be focused on a separate topic, including the pilot project and other elements of the transformation.	Our City – Environmental Stewardship	Throughout 2022

## NEW AUDITS COMMENCING IN 2023

### City Departments

No.	Activity	Description/Preliminary Audit Objective	Link to Council Priorities	Timeline
10.	Audit of the Corporate Diversity and Inclusion Plan	The objective of this audit is to provide reasonable assurance on the progress made by the City towards the achievement of the goals outlined in the Corporate Diversity and Inclusion Plan.	Our City – Thriving Workforce	To commence Q1 2023
11.	Audit of Affordable Housing	The objective of this audit is to assess the extent to which the City's affordable housing program is achieving the City's housing objectives. Areas of focus will be further defined during the planning process.	Our City - Thriving Communities	To commence Q1 2023
12.	Audit of Progress Towards the City's Sustainability Development Strategies	The objective of this audit is to provide reasonable assurance on the progress made by the City towards the achievement of the goals outlined in the Climate Change Master Plan.	Our City – Environmental Stewardship	To commence Q1 2023
13.	Audit of the Management of Roadways	The objective of this audit is to provide reasonable assurance on the management of roadways in order to support the City and its citizens. Areas of focus will be further defined during the planning process.	Our Service – Sustainable Infrastructure	To commence Q2 2023

**FRAUD AND WASTE & OTHER INVESTIGATORY WORK**

No.	Activity	Description	Link to Council Priorities	Timeline
14.	Fraud and Waste Hotline	Our Office will continue to be responsible for the administration of the City's Fraud and Waste Hotline which is available for employees and the public as part of the City's Fraud and Waste Policy. Our Office will review issues raised through the Hotline and will present the reports of those Reviews and Investigations to Audit Committee and City Council. The next annual Fraud and Waste Hotline report will be tabled spring 2022.	N/A	Ongoing
15.	Investigations related to allegations of fraud or other wrongdoing	Larger investigations may arise as a result of complaints raised through the Fraud and Waste Hotline or through the conduct of approved audits.	N/A	Ongoing

### OTHER SIGNIFICANT AREAS OF WORK

No.	Activity	Description	Link to Council Priorities	Timeline
16.	Follow-up audit procedures	Based on available resources, the OAG will conduct follow-up procedures to ensure that recommendations made in previous issued reports and action plans developed by management are implemented in a reasonable timeframe. The status of the follow-up procedures will be reported twice annually. The next Follow-Up report will be tabled spring 2022.	N/A	Ongoing
17.	Quality Assurance and Improvement Program	Aligned with the commitments made to address the gaps identified as part of the 2021 Quality Assurance Review (QAR), the OAG will report back to Audit Committee on key items such as independence, compliance with the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing and professional education requirements, evaluation of stakeholder relationships and additional performance metrics. This will be reported in the Auditor General's Annual Report.	N/A	Annually

No.	Activity	Description	Link to Council Priorities	Timeline
18.	Request for Proposal – Audit Services	The OAG leverages the assistance of external consultants to assist in the execution of the audit work plan. The existing 5 year standing offer expires as of 28 February 2022. As such, the OAG is working with the Chief Procurement Officer in launching a request for proposal and to establish a new standing offer.	N/A	Ongoing - To be completed in 2022

## LRT Audit/Investigation

At the October 13, 2021 Council meeting, Council requested that the Auditor General consider an audit of the Stage 1 LRT Procurement and Implementation. The OAG has accepted this request and included an audit within the 2022-2023 Audit Work Plan. The motion further permitted the OAG to access funds for this audit from the Transit Operating Reserves. Once the OAG has completed sufficient planning to further define the scope of the audit, we will return to Council to provide an update and a preliminary budget.

Subsequent to the request from Council, the Minister of Transportation from the Province of Ontario, announced that a public inquiry into Stage 1 of the LRT would be initiated. The terms of reference of the inquiry have not yet been reported. Once we better understand the scope of the province's public inquiry, additional audit/investigation work on Stage 1 LRT may be initiated. The scope of the province's public inquiry will be considered in the planning stages of the OAG LRT audit to avoid duplication of efforts and ensure prudent spending of taxpayer dollars.

## Emerging Issues and Audit Horizon for 2022-2023

The above Audit Work Plan is based on identified risk and resources. The Auditor General has also taken into consideration emerging risks and as such, flexibility has been incorporated into the Audit Work Plan to ensure the Office of the Auditor General is able to execute work under its mandate, have the agility to quickly shift priorities in line with the changing landscape as well as manage the burden placed on the City's administration. Examples of such emerging risks relate to diversity, equity and inclusion, sustainability/climate change, culture, cybersecurity and supply chain shortages.

Engagements being considered for potential inclusion in the 2022-2023 Audit Work Plan, should time permit, include:

- Council office expenses;
- OC Transpo route scheduling and planning;
- Stage 2 LRT – contract/program management;
- Stage 3 LRT - procurement;
- Culture audit; and
- Waste management strategy.

## Conclusion

The audit selection process has been based on our assessment of risks, available resources and the need to be agile in our current environment. The plan is flexible to allow the Auditor General to respond to emerging issues. The audits outlined above aim to help the City's administration mitigate risks as well as improve accountability, the control environment and the efficiency and effectiveness of City operations.